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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)

2022 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 2022 (“**1H2022**”), together with the comparative figures for the corresponding period in 2021 (“**1H2021**”). 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 1H2022 have been reviewed by the Company’s external auditor.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi (“RMB”))

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|------------------|
| | <i>Note</i> | 2022 | 2021 |
| | | RMB’000 | RMB’000 |
| Revenue | 3, 4 | 625,081 | 689,261 |
| Cost of sales | | <u>(516,771)</u> | <u>(534,794)</u> |
| Gross profit | | 108,310 | 154,467 |
| Other revenue | | 17,556 | 17,996 |
| Other net gain/(loss) | | 986 | (2,621) |
| Selling and distribution costs | | (44,303) | (56,542) |
| Administrative and other operating expenses | | (63,455) | (73,316) |
| Impairment loss on trade and other receivables and contract assets | | (4,436) | (15,329) |
| Share of loss of associates | | <u>(101)</u> | <u>(317)</u> |
| Profit from operations | | 14,557 | 24,338 |
| Finance costs | 5(a) | <u>(2,448)</u> | <u>(3,712)</u> |
| Profit before taxation | | 12,109 | 20,626 |
| Income tax | 6 | <u>(2,397)</u> | <u>(4,389)</u> |
| Profit for the period | | <u>9,712</u> | <u>16,237</u> |
| Profit attributable to: | | | |
| Equity shareholders of the Company | | 11,690 | 17,214 |
| Non-controlling interests | | <u>(1,978)</u> | <u>(977)</u> |
| Profit for the period | | <u>9,712</u> | <u>16,237</u> |
| Earnings per share | 7 | | |
| – Basic (RMB) | | 0.0149 | 0.0220 |
| – Diluted (RMB) | | <u>0.0149</u> | <u>0.0220</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi (“RMB”))

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Profit for the period | 9,712 | 16,237 |
| 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>2,499</u> | <u>(699)</u> |
| Total comprehensive income for the period | <u>12,211</u> | <u>15,538</u> |
| Attributable to: | | |
| Equity shareholders of the Company | 14,141 | 16,532 |
| Non-controlling interests | <u>(1,930)</u> | <u>(994)</u> |
| Total comprehensive income for the period | <u>12,211</u> | <u>15,538</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in Renminbi (“RMB”))

| | | At 30 June 2022 | At 31 December 2021 |
|--|-------------|-----------------------|---------------------------|
| | <i>Note</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 130,866 | 135,290 |
| Interests in associates | | 3,224 | 3,325 |
| Intangible assets | | 548,511 | 533,227 |
| Financial assets measured at amortised cost | | 391,308 | 438,973 |
| Deferred tax assets | | 35,934 | 33,975 |
| | | <u>1,109,843</u> | <u>1,144,790</u> |
| Current assets | | | |
| Inventories | | 1,112,162 | 983,040 |
| Contract assets | | 915,522 | 803,913 |
| Trade and other receivables | 8 | 1,399,253 | 1,341,508 |
| Prepayments | | 124,198 | 114,927 |
| Cash and cash equivalents | | 183,500 | 411,747 |
| | | <u>3,734,635</u> | <u>3,655,135</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 1,567,903 | 1,577,167 |
| Contract liabilities | | 83,330 | 117,700 |
| Loans and borrowings | | 178,050 | 99,388 |
| Lease liabilities | | 1,487 | 2,266 |
| Income tax payable | | 30,274 | 28,461 |
| | | <u>1,861,044</u> | <u>1,824,982</u> |
| Net current assets | | <u>1,873,591</u> | <u>1,830,153</u> |
| Total assets less current liabilities | | <u>2,983,434</u> | <u>2,974,943</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2022 – unaudited**(Expressed in Renminbi (“RMB”))*

| | | At 30 June 2022 <i>RMB’000</i> | At 31 December 2021 <i>RMB’000</i> |
|--|-----------|---|---|
| Non-current liabilities | | | |
| Lease liabilities | | 111 | 220 |
| Deferred tax liabilities | | 23,836 | 27,259 |
| Deferred income | | 7,699 | 7,887 |
| | | <u>31,646</u> | <u>35,366</u> |
| NET ASSETS | | <u>2,951,788</u> | <u>2,939,577</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>10</i> | 1,189,968 | 1,189,968 |
| Reserves | | 1,745,900 | 1,731,759 |
| Total equity attributable to equity shareholders of the Company | | 2,935,868 | 2,921,727 |
| Non-controlling interests | | 15,920 | 17,850 |
| TOTAL EQUITY | | <u>2,951,788</u> | <u>2,939,577</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 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Revenue from smart transportation business | 114,336 | 261,784 |
| Revenue from smart building and complex business | 360,489 | 299,648 |
| Revenue from smart energy business | 150,256 | 127,829 |
| | <u>625,081</u> | <u>689,261</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 2022 and 2021 are set out below:

| For the six months ended | STB | | SBB | | SEB | | Total | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | RMB'000 |
| Disaggregated by timing of revenue recognition | | | | | | | | |
| Point in time | 8,053 | 1,991 | 59,042 | 71,626 | 12,243 | 17,535 | 79,338 | 91,152 |
| Over time | 106,283 | 259,793 | 301,447 | 228,022 | 138,013 | 110,294 | 545,743 | 598,109 |
| Revenue from external customers | 114,336 | 261,784 | 360,489 | 299,648 | 150,256 | 127,829 | 625,081 | 689,261 |
| Inter-segment revenue | - | - | - | - | - | - | - | - |
| Reportable segment revenue | 114,336 | 261,784 | 360,489 | 299,648 | 150,256 | 127,829 | 625,081 | 689,261 |
| Reportable segment profit | 7,614 | 19,321 | 37,607 | 38,615 | 30,059 | 24,519 | 75,280 | 82,455 |
| Interest income | 1,622 | 2,439 | 1,591 | 2,455 | 11,105 | 11,173 | 14,318 | 16,067 |
| Impairment losses | 162 | (4,801) | 1,666 | (4,274) | (6,264) | (6,254) | (4,436) | (15,329) |

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

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Profit | | |
| Reportable segment profit | 75,280 | 82,455 |
| Depreciation and amortisation | (55,800) | (54,466) |
| Finance costs | (2,448) | (3,712) |
| Unallocated head office and corporate expenses | (4,923) | (3,651) |
| | <u>12,109</u> | <u>20,626</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 | |
|---------------------------------------|--------------------------|--------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| (a) Finance costs | | |
| Interest on loans and borrowings | 2,408 | 3,646 |
| Interest on lease liabilities | 40 | 66 |
| | <u>2,448</u> | <u>3,712</u> |
| | | |
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| (b) Other items | | |
| Amortisation | 34,625 | 36,115 |
| Depreciation | | |
| – owned property, plant and equipment | 20,087 | 17,454 |
| – right-of-use assets | 1,088 | 897 |
| Research and development expenses | 3,472 | 3,971 |
| Interest income | (14,318) | (16,067) |

6 INCOME TAX

Income tax in the consolidated income statement represents:

| | Six months ended 30 June | |
|--------------|--------------------------|--------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Current tax | 7,779 | 10,399 |
| Deferred tax | (5,382) | (6,010) |
| | <u>2,397</u> | <u>4,389</u> |

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2022 and 2021. 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 2022 and 2021.

(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.

Tongfang Technovator Software (Beijing) Co., Ltd. (“**Tongfang Software**”) is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2024.

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 RMB11,690,000 (six months ended 30 June 2021: RMB17,214,000) and the weighted average of 782,192,189 ordinary shares (2021: 782,192,189 shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021.

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 2022 <i>RMB'000</i> | At 31 December 2021 <i>RMB'000</i> |
|---|---|---|
| Current | 1,287,407 | 1,112,374 |
| Less than 1 month past due | 170 | 6,296 |
| More than 1 month but less than 3 months past due | 557 | 50,380 |
| More than 3 months but less than 12 months past due | 11,521 | 66,710 |
| More than 12 months past due | 6,566 | 6,843 |
| | <hr/> | <hr/> |
| Trade debtors and bills receivable, net of allowance for doubtful debts | 1,306,221 | 1,242,603 |
| Other receivables | 93,032 | 98,905 |
| | <hr/> | <hr/> |
| | 1,399,253 | 1,341,508 |

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 2022 <i>RMB'000</i> | At 31 December 2021 <i>RMB'000</i> |
|---|---|---|
| By date of invoice: | | |
| Within 3 months | 879,765 | 906,468 |
| More than 3 months but within 6 months | 68,459 | 61,722 |
| More than 6 months but within 12 months | 100,728 | 86,348 |
| More than 12 months | 316,440 | 290,550 |
| | <hr/> | <hr/> |
| Total creditors and bills payable | 1,365,392 | 1,345,088 |
| Other payables and accruals | 202,511 | 232,079 |
| | <hr/> | <hr/> |
| | 1,567,903 | 1,577,167 |

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

| | At 30 June 2022 | | At 31 December 2021 | |
|--|--------------------|--------------------|---------------------|--------------------|
| | Number of shares | Amounts RMB'000 | Number of shares | Amounts RMB'000 |
| 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 | — | — | — | — |
| 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 2022 and 2021.

11 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 1H2022, the Group continued to be challenged by the COVID-19 pandemic and the market environment. The decreased number of the Group's existing orders and the slowdown of overall progress of new projects led to the decrease in top-line revenue during the period. The Group recorded revenue of approximately RMB625.1 million for the first half of the year, representing a year-on-year decrease of 9.3%. Due to the intense industry competition which further squeezed the profit margin of the projects and the decreasing number of software and service projects in various segments which resulted in the decrease in overall profit, the Group recorded the profit of approximately RMB9.7 million for the first half of the year, representing a year-on-year decrease of 40.2%.

BUSINESS REVIEW

Smart Transportation Business

Owing to the adverse effects to the smart transportation business caused by COVID-19 pandemic in the recent two years, the Company saw a significant drop in the number of newly-contracted projects, resulting in a decrease in the number of projects executed during the period. Meanwhile, the increasing local enterprise in the metro sector, intensifying internal competition and severe restriction to the movement of people caused by the pandemic led to a tremendous decrease in the number of software project implementation. Due to the combined effects of the aforesaid factors, both revenue and profit margin of the segment decreased significantly during the period.

During the period, the segment overcame the adverse effects of personnel mobility and equipment import restrictions caused by the pandemic prevention and control measures, and fully pushed forward the progress of the metro integrated supervision and control projects, such as Xian Metro Line 16 (西安地鐵16號綫), the First Phase of Hangzhou Metro Line 10 (杭州地鐵10號綫一期) and the First Phase of Hohhot City Rail Transit Line 2 (呼和浩特軌道交通2號綫一期), so as to ensure the progress of the projects and made contribution to the revenue of the segment while strictly implementing the pandemic prevention and control measures.

Moreover, as the pandemic became stable in the PRC in mid-year, the construction of metro projects in various places have gradually resumed. The Group has signed contracts for projects such as the Second Phase of Chongqing Rail Transit Line 10 (重慶軌道交通10號綫二期) and Wuhan Rail Transit Line 7 North Line Extension (武漢軌道交通7號綫北延綫) during the period. Meanwhile, the segment continued to make investment in research and development of the technology, in a bid to ride the wave of "New Infrastructure" so as to expand into new business in smart stations and traffic hubs and establish a solid foothold for the future development of the segment.

Smart Building and Complex Business

With the implementation of a number of national key projects, smart buildings and complex segment had sufficient projects during the previous period and recorded a year-on-year increase in revenue during the period. However, having been negatively affected by the prevention and control measures for the pandemic, rising labor cost and temporary decrease in number of utility tunnel software projects with high gross profit, the overall profit margin of the segment decreased significantly during the period.

During the period, the Science and Technology Winter Olympics projects such as “Ice Cube”, “Bird’s Nest”, the Big Air Shougang Winter Olympics Jumping Platform and the Yanqing Winter Olympic Village undertaken by the Group were completed and came into use as scheduled, which has made contribution to the smooth holding of the 2022 Beijing Winter Olympics, and the technical and engineering strength of the Group was once again highly recognized by all parties. The self-owned Neosys and Techcon series of software and hardware products of the Group continued to be used in hospitals, commercial complexes and research institutes in different regions, helping to upgrade the intelligent energy management and control and realize energy-saving and efficiency improvement of various types of buildings.

During the period, the segment also signed a new contract for a smart building project for Phase II of Dongsheng Science and Technology Park of Zhongguancun (中關村東升科技園二期建築智能化項目). Riding on the wave of “new infrastructure”, the smart building and complex segment will continue to upgrade technical strength for project implementation with a view to expanding the application of its self-owned core software and hardware technologies such as “swarm intelligence”, the utility tunnel platform and Neosys products, striving to improve the profit margin of the segment through the integration of technical and engineering strengths and fully leveraging the cutting edge advantage in the subsequent wave of new infrastructure construction.

Smart Energy Business

The project progress of 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 revenue of the segment improved during the period. However, due to the increase in costs and expenses caused by the pandemic, delay in signing of some Energy Management Contract (EMC) projects, and decreased settlement of high-margin projects, profit margin of the segment further declined during the period.

During the period, the segment continued to promote the intelligence centralized heating projects for companies such as Suihua Zhongmeng, Yangquan Coal Industry, Dezhou High-tech Heating and Chifeng Fulong Heating. Some of the delayed EMC projects have also been gradually resumed. Projects for Xinjiang Tianfu, Fushun Mining and other companies continued to be proceeded and made contribution to the revenue of the segment during the period.

With the gradual stabilization of the pandemic prevention and control, heating intelligence and EMC projects in various regions gradually began to resume. For the smart energy business, the Group entered into contracts for a number of intelligent heating projects during the period such as new heating renovation project for the 12th Division in Urumqi (烏魯木齊十二師供熱改造項目), an EMC project for Wuhai Thermal Power Co. Ltd (烏海市熱力公司EMC項目) and an intelligent heating project in Xinxiang City, and the Group has won the bids for a number of projects which will be signed soon. With decades of technology accumulation and industry experience, the Group will continue to make contribution to the development of urban intelligent heating.

OUTLOOK

In 1H2022, the COVID-19 pandemic continued to negatively affect the business segments of the Group. However, we have seen a positive sign of recovery upon the stabilization of the pandemic prevention and control policy.

Despite the less favorable external environment, Technovator remains committed to its original aspiration and adheres to the “technology-oriented” concept and the business line related to “intelligence + energy saving”. While riding on the wave of “new infrastructure” for development, the Group will fully sharpen its potential competitive edges so as to expand into new business areas and establish development models related to “new infrastructure”. The Group’s self-developed core technologies and products will definitely enable future development of the Group and green and smart cities.

BUSINESS REVIEW – CONTINUING OPERATIONS

Revenue

In 2022, against the backdrop of complex domestic and international economic environment and the impact on the industry brought by unexpected factors, the Group still effectively coordinated the balance between pandemic prevention and control and business operation and development. The Group recorded a net revenue of RMB625.1 million for the first half of the year, representing a decline of 9.3% year-on-year. Hindered by the shrinking market demand under the pandemic, project undertaking and implementation of the smart transportation business were adversely affected, resulting in a significant year-on-year decrease in revenue for the period compared with that for the same period last year. For the smart building and complex business, benefiting from the segment’s gradual implementation of its strategic goal and the smooth progress of major projects, the segment recorded a considerable year-on-year increase in revenue. For smart energy business, the revenue for this segment achieved a year-on-year increase thanks to the gradual resumption of the implementation of the projects which were greatly affected by the pandemic during the previous period, together with the continued and stable operation of EMC projects.

Revenue by business segments

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

| | Six months ended 30 June | | | | Comparison |
|----------------------------|-------------------------------------|-------------|-------------------------------------|-------------|--------------|
| | 2022 | % of | 2021 | % of | |
| | Revenue (RMB'000) (Unaudited) | revenue | Revenue (RMB'000) (Unaudited) | revenue | |
| Smart transportation | 114,336 | 18% | 261,784 | 38% | -56.3% |
| Smart building and complex | 360,489 | 58% | 299,648 | 43% | 20.3% |
| Smart energy | 150,256 | 24% | 127,829 | 19% | 17.5% |
| Total | 625,081 | 100% | 689,261 | 100% | -9.3% |

Smart transportation

The revenue from the smart transportation business decreased by 56.3% from approximately RMB261.8 million for 1H2021 to approximately RMB114.3 million for 1H2022. Since the outbreak of COVID-19 pandemic, the decrease in revenue of the smart transportation business was mainly due to the slowdown in investment activities in the transportation industry, delayed opening of bids for projects and reduced contract undertaking and implementation. During the period, the Group actively coordinated the balance of pandemic prevention and control and business development. The new contracted projects such as the northern extension of Wuhan Rail Transit Line 7 (武漢軌道交通7號綫北延綫), Chongqing Rail Transit Line 10 (重慶軌道交通10號綫) and the Gate of the Orient of Suzhou Rail Transit (蘇州市軌道交通東方之門) have made progress and began to generate revenue during the period. In addition, the smooth progress of the comprehensive monitoring system projects such as the Project for the Integration 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集成項目) and the First Phase of the Project for the Integration of Comprehensive Monitoring of the Hangzhou Metro Line 10 (杭州地鐵10號綫一期綜合監控集成工程) have made contribution to the revenue of the segment and laid a strong foothold for the future growth of the segment pending market recovery.

Smart building and complex

The revenue from the smart building and complex business increased by 20.3% year-on-year from approximately RMB299.6 million in 1H2021 to approximately RMB360.5 million. During the period, the Group actively coordinated its resources to provide the whole process of project design-construction-technical support for the segment's newly contracted key project during the period, i.e. Phase II of Dongsheng Science and Technology Park of Zhongguancun (中關村東升科技園二期項目) which has already made good progress and recorded revenue. Meanwhile, the Group effectively promoted the progress of the comprehensive tunnel project for the Airport Economic Zone of New Airport (新機場臨空經濟區的綜合管廊項目) and the SDC arena and conference system project of Dezhou Solar Town, Shandong (山東德州太陽能小鎮SDC賽場與會議系統工程) in order to realize the concept of “people-oriented city buildings”, and advanced the progress of the data processing center projects of Jiaxu Fumei Cloud Computing Application (嘉旭福美雲計算應用) and Big Data Analysis Demonstration Base Project (大數據分析示範基地項目), and the Chongqing Xiantao Data Valley Project (重慶仙桃數據谷項目) in order to achieve the goal of “digital intellectualization”, so as to further drive the growth of the segment revenue.

Smart energy

The smart energy business recorded a revenue of approximately RMB150.3 million in 1H2022, representing an increase of approximately 17.5% as compared with approximately RMB127.8 million in the corresponding period last year. In the face of tough challenges amidst the pandemic, the smart energy business overcame various difficulties such as disruption of project implementation and hindrance to personnel mobility, and made every effort to ensure the progress of livelihood projects. As the gradual resumption of some of the delayed projects in the previous period, Suihua Smart Heating Demonstration Project (綏化市智慧供暖示範項目), the Project for Renovation of the Automatic Heating Control System for Transferring and Renovation of Yangquan Coal Industry Heating Business Project (陽泉煤業供熱業務移交改造工程供熱自控系統改造項目), Baoding “Three Supplies and Estate Management” Heating Renovation Project (保定市「三供一業」供熱改造工程項目) 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項目) have progressed as scheduled and generated revenue for the period. EMC projects including Xinjiang Tianfu and Fushun Mining have maintained sustainable and stable operation, providing stable revenue to the segment and laying a solid foundation for further performance of the Group in the field of EMC.

Cost of sales

The Group's cost of sales decreased by approximately 3.4% from approximately RMB534.8 million for 1H2021 to approximately RMB516.8 million for 1H2022. The decrease in cost of sales was mainly due to the decrease in revenue.

Gross profit

Gross profit decreased by 29.9% from approximately RMB154.5 million for 1H2021 to approximately RMB108.3 million for 1H2022. Gross profit margin for the period was approximately 17.3%, representing a decrease of 5.1 percentage points as compared to the corresponding period last year. In the context of pandemic prevention and control, the increase in the costs of transportation and labor was the main factor leading to the decrease in profit margin.

Other revenue

In 1H2022, other revenue was approximately RMB17.6 million, which remained basically stable as compared to approximately RMB18.0 million for 1H2021.

Other net gain/loss

In 1H2022, the Group recorded other gain of approximately RMB1.0 million, representing a significant change from the loss of approximately RMB2.6 million for 1H2021, mainly attributable to one-off penalty of approximately RMB2.6 million paid by the Group in the corresponding period last year, which was an incidental event that did not occur in the period.

Selling and distribution costs

Selling and distribution costs of the Group for 1H2022 were approximately RMB44.3 million, representing a year-on-year decrease of 21.7% as compared to approximately RMB56.5 million for 1H2021. Selling and distribution costs accounts for 7.1% of the revenue for the period, representing a decrease of approximately 1.1 percentage points as compared to the corresponding period last year, primarily as a result of the decrease in the costs of sales staff as a result of the pandemic.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 13.4% from approximately RMB73.3 million for 1H2021 to approximately RMB63.5 million for 1H2022. The Group's optimization of its assets and personnel structure in line with actual business development needs, the decrease in impairment loss on assets and management personnel costs was the main reasons for a year-on-year decrease in administrative and other operating expenses.

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets decreased by 71.2% from approximately RMB15.3 million for 1H2021 to approximately RMB4.4 million for 1H2022. In the face of complex and uncertain market conditions, the Group continued to strengthen its efforts on the collection of historical trade and other receivables and some encouraging results have been seen during the period, resulting in a year-on-year significant decrease in impairment loss on trade and other receivables and contract assets.

Finance costs

Finance costs of the Group for 1H2022 were approximately RMB2.4 million, representing a year-on-year decrease of 35.1% as compared to approximately RMB3.7 million for 1H2021. It was due to the Group's reasonable arrangement of funds based on its actual capital position and business needs and the decrease in the average outstanding loan.

Income tax

Income tax decreased from approximately RMB4.4 million in 1H2021 to approximately RMB2.4 million for the period, mainly attributable to the year-on-year decrease in profit before taxation.

Profit for the period

In 1H2022, the Group recorded profit for the period of approximately RMB9.7 million, representing a decrease of 40.1% as compared with approximately RMB16.2 million for 1H2021. Net profit margin decreased by 0.8 percentage point to approximately 1.6% for this period as compared with the same period last year. As for the current period, the decrease in profit for the period and net profit margin was mainly attributable to the decrease in revenue and profit margin of the projects.

The basic earnings per share from continuing operations of the Group decreased by 32.3 percentage points year-on-year to RMB0.0149 (1H2021: RMB0.0220). The diluted earnings per share decreased by 32.3 percentage points to RMB0.0149 (1H2021: RMB0.0220).

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 2022 (RMB'000) | As at 31 December 2021 (RMB'000) | As at 30 June 2021 (RMB'000) |
|---|---|---|---|
| Inventories | 1,112,162 | 983,040 | 1,055,530 |
| Trade and other receivables ^(Note 1) | 1,523,451 | 1,456,435 | 1,502,588 |
| Trade and other payables | 1,567,903 | 1,577,167 | 1,424,780 |
| Average inventory turnover days | 302 | 227 | 271 |
| Average trade receivables turnover days ^(Note 2) | 346 | 262 | 302 |
| Average trade payables turnover days ^(Note 2) | 440 | 351 | 412 |

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 increased by 13.1% from approximately RMB983.0 million as at 31 December 2021 to approximately RMB1,112.2 million at 30 June 2022. The Group stocked up its inventories based on the progress of project implementation in the first half of the year, resulting in a temporary increase in inventory scale during the period, and the inventory turnover days increased to approximately 302 days as compared to the corresponding period last year.

The Group's trade and other receivables increased by 4.6% from approximately RMB1,456.4 million as at 31 December 2021 to approximately RMB1,523.5 million as at 30 June 2022. The average trade receivables turnover days increased from 302 days for the corresponding period last year to 346 days. The increase of the amount of receivables and the number of turnover days was due to the discretionary extension of the credit period by the Company in light of market environment.

The Group's trade and other payables amounted to approximately RMB1,567.9 million as at 30 June 2022, which remained generally stable as compared to approximately RMB1,577.2 million as at 31 December 2021. The Group's average trade payables turnover days increased from approximately 412 days in 1H2021 to approximately 440 days in 1H2022, mainly due to the Group's full utilization of the credit terms of its downstream suppliers.

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 2022, the Group had cash and cash equivalents of approximately RMB183.5 million, which accounted for 6.2% of the Group's net assets (31 December 2021: net cash of approximately RMB411.7 million).

As at 30 June 2022, the Group's indebtedness consisted of short-term bank loans of approximately RMB178.1 million with an average interest rate of 4.0% per annum. It was the result of the Group's financial planning based on the finance costs in the market and the normal working capital required.

As at 30 June 2022, 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 2022, the net cash of the Group was approximately RMB5.4 million (31 December 2021: net cash of approximately RMB312.4 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 3.7% (31 December 2021: approximately 2.1%).

Pledge of assets

As at 30 June 2022, the Group had no pledge of assets.

Contingent liabilities

As at 30 June 2022, 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 30 June 2022, the Group had a total of 789 employees compared to 833 employees as at 30 June 2021. Total staff costs decreased from approximately RMB113.3 million in 1H2021 to approximately RMB91.6 million in 1H2022.

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 2022, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2022, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, 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 (“**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 Listing Rules throughout the six months ended 30 June 2022 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 six months ended 30 June 2022.

ISSUE OF SECURITIES

During the six months ended 30 June 2022, 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 2022, 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 2022.

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 2022 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, 26 August 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.