Technovator

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

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2019 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board (the "**Board**") of directors ("**Directors**") 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 2019, together with the comparative figures for the year ended 31 December 2018, 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 2019
(Expressed in Renminbi ("RMB"))

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	*2,3*	**1,752,778**	2,036,588
Cost of sales		**(1,401,723)**	(1,560,590)
Gross profit		**351,055**	475,998
Other revenue		**56,521**	47,527
Other net loss		**(10,403)**	(212)
Selling and distribution costs		**(94,374)**	(85,049)
Administrative and other operating expenses		**(163,446)**	(115,792)
Share of profits/(losses) of associates		**945**	(561)
Profit from operations		**140,298**	321,911
Finance costs	*4(a)*	**(11,819)**	(10,828)
Profit before taxation		**128,479**	311,083
Income tax	*5(a)*	**(15,062)**	(49,749)
Profit for the year		**113,417**	261,334
Profit attributable to:			
Equity shareholders of the Company		**112,866**	261,165
Non-controlling interests		**551**	169
Profit for the year		**113,417**	261,334
Earnings per share	*6*		
– Basic (RMB)		**0.1443**	0.3338
– Diluted (RMB)		**0.1443**	0.3338

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**113,417**	261,334
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**1,629**	5,566
Total comprehensive income for the year	**115,046**	266,900
Attributable to:		
Equity shareholders of the Company	**114,464**	266,660
Non-controlling interests	**582**	240
Total comprehensive income for the year	**115,046**	266,900

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**256,954**	273,284
Interests in associates		**3,384**	7,939
Lease prepayment		**–**	2,737
Intangible assets		**311,321**	290,639
Other financial assets		**524,146**	531,813
Deferred tax assets		**24,134**	18,505
		1,119,939	1,124,917
Current assets			
Inventories		**901,725**	792,027
Contract assets		**905,752**	795,672
Trade and other receivables	7	**1,342,333**	1,209,329
Cash and cash equivalents		**657,759**	689,018
		3,807,569	3,486,046
Current liabilities			
Trade and other payables	8	**1,723,068**	1,523,416
Contract liabilities		**88,905**	111,655
Loans and borrowings		**257,098**	239,820
Lease liabilities		**2,610**	–
Income tax payable		**44,831**	41,036
		2,116,512	1,915,927
Net current assets		**1,691,057**	1,570,119
Total assets less current liabilities		**2,810,996**	2,695,036

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	**31 December 2019** *RMB'000*	31 December 2018 *(Note)* *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**28,474**	26,281
Deferred income		**10,003**	11,339
Other non-current liabilities		**57**	–
		38,534	37,620
NET ASSETS		**2,772,462**	2,657,416
CAPITAL AND RESERVES			
Share capital	*9*	**1,189,968**	1,189,968
Reserves		**1,562,548**	1,448,084
Total equity attributable to equity shareholders of the Company		**2,752,516**	2,638,052
Non-controlling interests		**19,946**	19,364
TOTAL EQUITY		**2,772,462**	2,657,416

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019
(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 2019 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 HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.00%.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b. Lessee accounting and transitional impact *(Continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018	19,084
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(11,753)
	7,331
Less: total future interest expenses	(268)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	7,063
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	7,063

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b. Lessee accounting and transitional impact *(Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	Capitalisation of operating lease contracts *RMB'000*	Re-classification of lease prepayment *RMB'000*	Carrying amount at 1 January 2019 *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Property, plant and equipment	273,284	7,063	2,737	283,084
Lease prepayment	2,737	–	(2,737)	–
Total non-current assets	1,124,917	7,063	–	1,131,980
Lease liabilities (current)	–	5,415	–	5,415
Current liabilities	1,915,927	5,415	–	1,921,342
Net current assets	1,570,119	(5,415)	–	1,564,704
Total assets less current liabilities	2,695,036	1,648	–	2,696,684
Lease liabilities (non-current)	–	1,648	–	1,648
Total non-current liabilities	37,620	1,648	–	39,268
Net assets	2,657,416	–	–	2,657,416

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c. Impact on the financial result, segment results and cash flows of the Group *(Continued)*

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(Note 2)* (C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**140,298**	**5,344**	**(5,575)**	**140,067**	321,911
Finance costs	**(11,819)**	**331**	**–**	**(11,488)**	(10,828)
Profit before taxation	**128,479**	**5,675**	**(5,575)**	**128,579**	311,083
Profit for the year	**113,417**	**5,675**	**(5,575)**	**113,517**	261,334
Reportable segment profit for year ended 31 December 2019 *(Note 3(a))* impacted by the adoption of HKFRS 16:					
– Smart transportation business	**79,460**	**930**	**(877)**	**79,513**	170,864
– Smart building and complex business	**43,749**	**4,709**	**(4,664)**	**43,794**	97,486
– Smart energy business	**126,446**	**36**	**(34)**	**126,448**	174,914
– Total	**249,655**	**5,675**	**(5,575)**	**249,755**	443,264

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c. Impact on the financial result, segment results and cash flows of the Group *(Continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) *RMB'000*	**Estimated amounts related to operating leases as if under HKAS 17** ***(Notes 1 & 2)*** **(B)** *RMB'000*	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)** *RMB'000*	Compared to amounts reported for 2018 under HKAS 17 *RMB'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**57,281**	**(6,993)**	**50,288**	227,980
Net cash generated from operating activities	**42,804**	**(6,993)**	**35,811**	191,892
Capital element of lease rentals paid	**(6,662)**	**6,662**	**–**	–
Interest element of lease rentals paid	**(331)**	**331**	**–**	–
Net cash used in financing activities	**(30,954)**	**6,993**	**(23,961)**	(30,436)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

d Lessor accounting

The Group leases out a building as the lessor of an operating lease. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

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.

Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
Revenue from smart transportation business	**523,087**	702,766
Revenue from smart building and complex business	**776,250**	795,722
Revenue from smart energy business	**453,441**	538,100
	1,752,778	2,036,588

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 2019 and 2018 is set out below:

	STB		SBB		SEB		Total	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition								
Point in time	**10,384**	4,756	**219,732**	115,750	**89,583**	58,817	**319,699**	179,323
Over time	**512,703**	698,010	**556,518**	679,972	**363,858**	479,283	**1,433,079**	1,857,265
Revenue from external customers	**523,087**	702,766	**776,250**	795,722	**453,441**	538,100	**1,752,778**	2,036,588
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**523,087**	702,766	**776,250**	795,722	**453,441**	538,100	**1,752,778**	2,036,588
Reportable segment profit	**79,460**	170,864	**43,749**	97,486	**126,446**	174,914	**249,655**	443,264
Interest income	**7,478**	3,438	**10,606**	8,958	**23,163**	22,802	**41,247**	35,198
Impairment losses	**(11,345)**	(980)	**(16,833)**	(1,110)	**(9,836)**	(750)	**(38,014)**	(2,840)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

(b) Reconciliations of reportable segment profit or loss

	2019	2018 *(Note)*
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**249,655**	443,264
Depreciation and amortisation	**(103,616)**	(112,188)
Finance costs	**(11,819)**	(10,828)
Unallocated head office and corporate expenses	**(5,741)**	(9,165)
Consolidated profit before taxation	**128,479**	311,083

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

(c) Geographic information

For the year ended 31 December 2019, 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

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest on loans and borrowings	**11,488**	10,828
Interest on lease liabilities	**331**	–
	11,819	10,828

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(b).

(b) Staff costs

	2019	2018
	RMB'000	*RMB'000*
Salaries and other benefits	**178,460**	147,981
Contributions to defined contribution retirement schemes	**17,718**	15,924
	196,178	163,905

5 INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**21,635**	42,947
(Over)/under-provision in respect of prior years	**(3,137)**	4,285
	18,498	47,232
Deferred tax		
Origination and reversal of temporary differences	**(3,436)**	2,517
	15,062	49,749

5 INCOME TAX *(Continued)*

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

	Note	**2019** **RMB'000**	2018 RMB'000
Profit before taxation		**128,479**	311,083
Expected tax calculated at the respective tax rates	*(i)/(ii)*	**33,130**	79,121
Tax effect on non-deductible expenses		**667**	731
Effect of tax concession	*(iii)*	**(18,155)**	(37,464)
Tax effect of non-taxable income		**(221)**	(28)
Tax effect of unused tax losses not recognised		**3,115**	3,241
Tax effect of utilisation of tax losses not recognised in prior years		**(337)**	(137)
(Over)/under-provision in prior years		**(3,137)**	4,285
Actual income tax expense		**15,062**	49,749

Note:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2019 and 2018. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2019 and 2018.

(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 2019 and 2018.

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 2019 and 2018.

(iii) Tongfang Technovator Int (Beijing) Co., Ltd. ("Technovator Beijing") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2020.

Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2022.

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 RMB112,866,000 (2018: RMB261,165,000) and the weighted average number of ordinary shares of 782,192,189 (2018: 782,447,668) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2019	2018
	Number of shares	*Number of shares*
Issued ordinary shares at 1 January	**782,192,189**	782,842,189
Effect of purchase of own shares	**–**	(394,521)
Weighted average number of ordinary shares at 31 December	**782,192,189**	782,447,668

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB112,866,000 (2018: RMB261,165,000) and the weighted average number of ordinary shares of 782,192,189 (2018: 782,447,668) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (diluted):

	2019	2018
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 December	**782,192,189**	782,447,668
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	**–**	–
Weighted average number of ordinary shares (diluted) at 31 December	**782,192,189**	782,447,668

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for the years ended 31 December 2019 and 2018.

7 TRADE AND OTHER RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade debtors due from related parties	**86,256**	48,852
Other trade debtors	**1,024,168**	974,920
Bills receivable	**66,547**	31,030
Less:Allowance for doubtful debts	**(106,475)**	(78,252)
	1,070,496	976,550
Other receivables		
– amounts due from related parties	**50,398**	16,395
– amounts due from third parties	**96,567**	83,904
Less:Allowance for doubtful debts	**(6,350)**	(5,180)
	1,211,111	1,071,669
Deposits and prepayments	**131,222**	137,660
	1,342,333	1,209,329

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:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Current	**993,640**	646,054
Less than 1 month past due	**28**	530
More than 1 month but less than 3 months past due	**4,219**	5,217
More than 3 months but less than 12 months past due	**25,682**	120,622
More than 12 months past due	**46,927**	204,127
	76,856	330,496
	1,070,496	976,550

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

8 TRADE AND OTHER PAYABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade payables due to related parties	**143,596**	125,757
Other trade and bills payables	**1,378,169**	1,216,129
	1,521,765	1,341,886
Other payables and accruals		
– amounts due to related parties	**53,356**	19,905
– amounts due to third parties	**147,947**	161,625
Financial liabilities measured at amortised cost	**1,723,068**	1,523,416

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
By date of invoice:		
Within 3 months	**1,080,668**	943,864
More than 3 months but within 6 months	**61,982**	43,500
More than 6 months but within 12 months	**78,997**	73,866
More than 12 months	**300,118**	280,656
	1,521,765	1,341,886

9 CAPITAL 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 2019 and 2018.

(b) Share capital

	2019		2018	
	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**	782,842,189	1,191,209
Shares repurchased and cancelled	**–**	**–**	(650,000)	(1,241)
At 31 December	**782,192,189**	**1,189,968**	782,192,189	1,189,968

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 2019 and 2018.

10 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(b).

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.

Up to the date of the announcement is 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 2019, the Group experienced varying degrees of slowdown in each segment as we continued to be affected by the macro-economic development constraints. The Group recorded revenue of approximately RMB1.753 billion for the full year, representing a year-on-year decrease of 13.9%. Due to the fierce competition within the industry leading to the contraction in profit margins, the Group recorded profit of RMB113 million for the full year, representing a year-on-year decrease of 56.6%.

Under the adverse economic situation, the Group remained committed to its original aspiration and has adhered to the concept of product quality and strictly controlled project quality. Meanwhile, it is expanding the development ideas and deepening technological innovation. Leveraging on the robust capability, Technovator won the "Top Ten Building Automation Control Brands Award" in China for the seventh consecutive year in 2019, and was awarded the title of "Top Ten Outstanding Influential Brand in the Chinese Intelligent Building Industry". The Beijing Tongzhou Sub-center Intelligent Project won the "Luban Prize", the highest honor in China's construction industry for engineering quality. Meanwhile, the Group continues to undertake a number of national key projects, and expand diversified and in-depth cooperation with Tsinghua University and H3C (新華三集團). The Group also actively participates in the formulation of various national and industry standards and specifications in order to promote the development of the industry, fulfilling its social responsibilities.

BUSINESS REVIEW

Smart Transportation Business

Due to the current downward economic pressure, the payment capacity of the owners of a few projects in the smart transportation segment has significantly decreased. At the same time, the adverse competition of the industry has led to a deterioration of the market conditions and the contraction in profit margins, which resulted in a significant decrease in revenue and profit margin of the segment in 2019.

During the year, the Group successfully tapped into the Xuzhou market by signing the Xuzhou Subway Line 3 project. The Group also undertook Wuhan Subway Line 5 and Jinan R2 Line, the two unmanned subway lines, as well as Hangzhou Subway Line 7 and Line 10 projects. These projects involve integrated supervision and control for several subsystems, which allows energy-saving and consumption reduction while also empowering the intelligent transformation and upgrading of subways in China. The Suzhou Rail Transit Line Network Command Center (NCC) project undertaken during the year adopts the "Rail Transportation Command Center Software Platform ezNCC2.0" officially released by the Group during the year, helping to realize precise management and intelligent operation of urban subways, and consolidating the Group's industry leading position in the field of urban rail transit line network command center.

In September, the Chinese government issued the "Program of Building National Strength in Transportation" (《交通強國建設綱要》). As of the end of September, urban rail transit systems have operated in 39 cities across the country with a mileage of more than 6,000 kilometers and a total planned mileage of more than 28,000 kilometers, leading the rail transit industry to enter into a new development phase. In 2019, with innovative products, refined technology and service enhancement, Technovator's smart transportation business has carried out high quality construction projects in more than 10 cities, including Hangzhou, Wuhan, Tianjin, Suzhou, and Xi'an. To date, the Group has served more than 20 cities at home and abroad, covering six major line network command centers and over 80 subway projects. It has enabled the intelligent upgrade of rail transit with technology and given full play to assist China building up strength in transportation.

Smart Building and Complex Business

As the "national team" in the field of smart building in China, the Group's smart building and complex segment focused on the development of key projects in the Beijing-Tianjin-Hebei area, the Guangdong-Hong Kong-Macao Greater Bay Area and the areas along the "One Belt, One Road" Initiative. The Group also participated in a number of "13th Five-Year Plan" key projects and achieved significant results in new product development. During the year, revenue from this segment remained stable, while profit margin declined.

The new intelligent project for Zhuhai Hengqin Port and transportation hub was signed during the year, which provided technical support for the 80 million annual custom clearances, assisting in constructing the Guangdong-Hong Kong-Macao Greater Bay Area at full speed; the renovation project of National Aquatics Center Winter Olympic Curling Stadium was signed to help transform "Water Cube" into "Ice Cube"; the headquarters intelligent project of Asian Infrastructure Investment Bank was signed to help the construction of the "One Belt, One Road" Initiative; the Shaanxi Broadcasting Network Industry Base Data Center (陝西廣電網絡產業基地數據中心) project was signed to build a new generation of high-tech, informationized, energy-saving and environmentally-friendly green data center; and the intelligent project of the non-main base of Beijing new airport was signed to assist in the smart and efficient operation and maintenance of the new airport. Meanwhile, the Techcon series building control products were used in various key projects in many cities at home and abroad, including Beijing, Shanghai, Chengdu, Chongqing and Maldives. The types of projects involve schools, hospitals, hotels, airports, and other buildings, demonstrating the strength of our national brand in building control.

At the end of 2019, Technovator launched Techcon Neosys, a next-generation IoT controller. This new product has features such as strong computing power, small module size, strong distribution ability, high reliability and rich content expansion. It aims to break through the "last mile" access of intelligent interconnection and empowers upgrade for the industry and users. In addition, the "Intelligent Utility Tunnel Management Platform UTM3.0 System" released by the Group during the year was applied successfully in the newly signed Beijing new airport ancillary infrastructure construction project, marking an important step forward for the Group in the smart utility tunnel segment.

Smart Energy Business

Affected by the macro-economic environment, the settlement progress of certain preliminary Energy Management Contract ("EMC") projects in the smart energy segment has slowed down, resulting in a decline in segment revenue and a slight decrease in profit margin in 2019. However, several new EMC projects were signed during the year, securing the revenue and profits for the segment in the future.

During the year, the Group signed projects such as the EMC project of smart-energy-saving reconstruction of the Shaanxi Shenmu Heat Network (陝西神木智慧熱網節能改造EMC項目), the Shandong Binzhou Xincheng Heating EMC project (山東濱州鑫誠熱力EMC項目) and the EMC project of Hebei Weichang Manchu Mongolian Autonomous County Heating Company (河北圍場滿族蒙古族自治縣供熱公司EMC項目), to provide long-term security for centralized heating, energy-saving and emission reduction in these areas, as well as providing strong support for the smart clean heating for central heating cities in Northern China. In addition, the Group also signed the heat supply improvement project of "Three Supplies and Estate Management" (三供一業) in Baoding and the first phase of the construction project of Liaoning Datang International Huludao Thermal Power Plant smart heating network software platform, which adopts our self-developed Smart Heating Network Software Platform to improve the efficiency of heating operation management for users and enhance the intelligent management and control level of heating networks.

The "Smart Heating Network Software Platform ezIHM3.0" launched by the Group during the year integrates data centers, exhibition centers, dispatch centers, management centers and command centers. It is the "smart brain" of urban heating network. It responds to the development needs of large-scale heating supply, diversified heating supply technology, complex management system, as well as information system improvement, which enables effective energy saving and consumption reduction, labor costs reduction and minimize complaints from residents. At present, it has served heating network management and control for various large cities such as Taiyuan.

OUTLOOK

Technovator celebrated its 8th anniversary of listing on the main board in 2019. Like human growth which comes with many challenges, the Company's development will also face difficulties and challenges from various aspects. However, we believe that with more than 20 years of experience in the industry, and capitalizing on Technovator's unwavering aspirations and strong sense of mission, we can push forward under the difficult conditions in the urban intelligence and energy-saving field.

In the future, the Group will carry on the development direction based on technology. In the new round of scientific and technological revolution and industrial reform led by artificial intelligence, we plan to cultivate a number of new comprehensive talents in the AI+ industry as soon as possible, and achieve the two-way development mechanism that drives operational development with technological innovation and drives technology development with actual projects, so as to expand project category and consolidate our market position. At the same time, we plan to promote industrial collaboration and accelerate the speed of "Intelligence + Energy Saving" products and service upgrades through diversified cooperation to expand the market, so as to ensure a long-term stable and sustainable development of the Group.

Technovator will make unremitting efforts to create a smart, green and healthy development for the city!

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

Owing to the increasing complexity of the international situation, the pressure on domestic economic growth has further intensified. Affected by the continued downturn in the real economy, the Group recorded net revenue of approximately RMB1,752.8 million for the year, representing a year-on-year decrease of 13.9%. The revenue of each segment varied to a large extent. Due to the increasing pressure on macroeconomic growth and the delay in the settlement progress of projects, the revenue of the smart transportation segment decreased significantly for the year. At the same time, the real economy was disrupted which resulted in the slowdown of progress of some EMC projects of the smart energy segment and revenue has decreased as compared with the corresponding period last year. In respect of the smart building and complex segment, the Company vigorously developed various types of project with innovative technology in order to lessen the negative impact of macro-economy, and the revenue of the segment recorded a slight year-on-year decrease.

Revenue by business segment

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

	2019		2018		
	Revenue *(RMB'000)*	**% of revenue**	Revenue *(RMB'000)*	% of Revenue	Comparison
Smart transportation	**523,087**	**30%**	702,766	35%	–25.6%
Smart building and complex	**776,250**	**44%**	795,722	39%	–2.4%
Smart energy	**453,441**	**26%**	538,100	26%	–15.7%
Total	**1,752,778**	**100%**	2,036,588	100%	–13.9%

Smart transportation

During the year, revenue from the smart transportation segment recorded approximately RMB523.1 million, representing a decrease of 25.6% from approximately RMB702.8 million in 2018. A number of smart transportation projects, including Hangzhou Subway Line 7, Jinan Urban Rail Transit Line R2 Phase I and Wuhan Urban Rail Transit Line 5 integrated supervision project, were signed during the year and have made progress and recorded income. However, under the market environment of continuously increasing downward pressure on the domestic and foreign economy, the project payment capacity declined significantly, resulting in a delay in settlement progress and a significant decrease in revenue. The integrated supervision project for the Hangzhou-Linan Intercity Railway, the Hohhot Urban Rail Transit Line 2 Phase I project and the Shijiazhuang Urban Rail Transit Line 1 Phase II project were underway smoothly during the period, generating revenue for the segment.

Smart building and complex

Revenue from the smart building and complex segment recorded a slight decrease of 2.4% from approximately RMB795.7 million in 2018 to approximately RMB776.3 million in 2019. During the year, various of milestone projects such as the Hengqin Port and Comprehensive Transportation Hub Development Project (橫琴口岸及綜合交通樞紐開發工程), the headquarters intelligent project of Asian Infrastructure Investment Bank and the Beijing new airport's integrated pipeline project, were signed across various sectors of the smart building and complex segment. The Group continued to promote projects, such as the urban integrated pipeline project of Yongxing Hebei Road in the Airport Economic Area of Beijing New Airport, the intelligent project of new zone of Weifang People's Hospital and the project of Huadu Center (華都中心) with revenue achieved. However, due to the impact of sluggish market environment, revenue from the smart building and complex segment still suffered a slight decline.

Smart energy

Revenue from the smart energy segment recorded a decrease of 15.7% from approximately RMB538.1 million in 2018 to approximately RMB453.4 million in 2019, which was mainly due to the negative impact of the macro market environment and the slowdown in revenue from EMC projects. During the year, the newly signed projects such as the heat supply improvement project of "Three Supplies and Estate Management" in Baoding, the EMC project of smart-energy-saving reconstruction of Shenmu Shi Heating Co., Ltd. (神木市供熱有限責任公司) and Kaiyuan heat supply units for substantial temperature differential in Taian City continued to proceed and generated certain amount of revenue. Meanwhile, the Group actively expanded intelligent projects in areas such as Taiyuan, Baoding and Xinxiang, which further contributed revenue to the segment and rode out the negative economic impact.

Cost of sales

Cost of sales decreased from approximately RMB1,560.6 million in 2018 to approximately RMB1,401.7 million, or approximately 10.2% in 2019. The decrease in cost was mainly driven by the decrease in revenue.

Gross profit

Gross profit decreased by 26.2% from approximately RMB476.0 million in 2018 to approximately RMB351.1 million in 2019. Gross profit margin decreased by 3.4 percentage points from approximately 23.4% in 2018 to approximately 20.0% in 2019. The drop in gross profit margin was due to the proportion of revenue from the segment with high gross profit has relatively decreased during the period which was affected by the change in revenue structure; On the other hand, space for profit of every segment narrowed which drove a further decline in gross profit margin.

Other revenue

Other revenue increased by approximately RMB9.0 million from approximately RMB47.5 million in 2018 to approximately RMB56.5 million in 2019. This was mainly attributable to an increase of interest income recognized for the period from the Group's EMC projects entering the sharing period and government subsidies as compared with last year.

Other net loss

Other net loss expanded from approximately RMB0.2 million in 2018 to approximately RMB10.4 million in 2019. The change in other net loss was mainly attributable to the impact of foreign exchange gains and losses, disposal of property, plant and equipment. The Group's one-off disposal of related property, plant and equipment in relation to some industrial waste heat projects during the year was the main reason for increasing other net losses during the year (the net loss of the one-off disposal was approximately RMB6.3 million).

Selling and distribution costs

Selling and distribution costs of the Group in 2019 amounted to approximately RMB94.4 million, representing an increase of approximately 11.0% as compared to that of 2018. Selling and distribution costs accounted for 5.4% (2018: 4.2%) of revenue. The increase in the selling and distribution costs and the proportion of the revenue was mainly due to the increase of relevant personnel as our talent pool in line with the improvement of project management norms by the Group, which led to an increase in the costs of sales personnel.

Administrative and other operating expenses

Administrative and other operating expenses increased by 41.2% from approximately RMB115.8 million in 2018 to approximately RMB163.4 million in 2019. During the year, the Group's impairment loss for assets such as trade receivables and contract assets increased by approximately RMB35.2 million as compared with the corresponding period last year. In the meantime, in order to respond to the negative impact of the macro-economy, the Group intensified the research and development innovation as well as increased research and development personnel. There was a further increase in administrative and other operating expenses resulted from the increase in staff costs.

Finance costs

The Group's finance costs in 2019 were approximately RMB11.8 million. Due to a decrease in the Company's self-owned funds, the increase in loans and rising lending rates, amid the macro environment of increasing downward pressure on the economy and tightening of market funds, finance costs for the year has increased by 9.2% year-on-year as compared to approximately RMB10.8 million for 2018.

Income tax

Income tax decreased by 69.7% from approximately RMB49.7 million in 2018 to approximately RMB15.1 million in 2019. The effective tax rate decreased from 16.0% in the previous year to 11.7% during the year. The current income tax expense and effective tax rate calculated were mainly affected by the Group's payment of its 2017 income tax expense of approximately RMB4.3 million in 2018 and received tax rebate of approximately RMB3.1 million during the year. In case of the adjustment was made due to such matter, the adjusted effective tax rate would be 14.2% in 2019, a decrease of approximately 0.4 percentage points as compared with the adjusted effective tax rate in 2018. In addition, the further decrease in income tax expense during the period was due to the decline in profit before tax for the period.

Profit for the year

During the year, profit for the year decreased by approximately 56.6%, from approximately RMB261.3 million in 2018 to approximately RMB113.4 million in 2019. Net profit margin declined by 6.3 percentage points from 12.8% in 2018 to approximately 6.5% in 2019. Upon the adjustment made on the profit for the year after the one-off disposal during the year, the adjusted net profit margin in 2019 was approximately 6.8%, a decrease of 6.0 percentage points as compared with the corresponding period last year.

The basic earnings per share from continuing operations of the Group dropped by 56.8 percentage points year-on-year to RMB0.1443 (2018: RMB0.3338). The diluted earnings per share decreased by 56.8 percentage points to RMB0.1443 (2018: RMB0.3338).

Working capital and financial resources

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

	As at 31 December 2019 ***(RMB'000)***	As at 31 December 2018 *(RMB'000)*
Inventories	**901,725**	792,027
Trade and other receivables	**1,342,333**	1,209,329
Trade and other payables	**1,723,068**	1,523,416
Average inventories turnover days	**174**	145
Average trade receivables turnover days*(Note)*	**218**	195
Average trade payables turnover days*(Note)*	**338**	279

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

The Group's inventories increased from approximately RMB792.0 million as at 31 December 2018 to approximately RMB901.7 million as at 31 December 2019. The inventory turnover days increased from approximately 145 days for 2018 to approximately 174 days for 2019. Under the sluggish market environment, the progress of projects lagged behind, which caused a year-on-year increase in inventory scale and turnover days.

The Group's trade and other receivables increased from approximately RMB1,209.3 million as at 31 December 2018 to approximately RMB1,342.3 million as at 31 December 2019. The average trade receivables turnover days increased from approximately 195 days for 2018 to 218 days for 2019. The scale and turnover days of trade and other receivables increased as compared with that of the corresponding period last year was due to the tightening market capital and the further delay in receipt of payment brought by the greater downward pressures on domestic macro-economy.

The Group's trade and other payables amounted to approximately RMB1,723.1 million as at 31 December 2019, which was increased by 13.1% as compared with approximately RMB1,523.4 million as at 31 December 2018. The Group's average trade payables turnover days increased from 279 days for 2018 to approximately 338 days for 2019. Amid the tightening of capital, the Group made good use of the preferential credit period granted by suppliers, which was the main reason for the increase in the scale and turnover days of trade and other payables.

Liquidity and financial resources

In 2019, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2019, the Group had approximately RMB657.8 million in cash and cash equivalents, which accounted for 23.7% of the Group's net assets (31 December 2018: cash and cash equivalents of approximately RMB689.0 million).

As at 31 December 2019, the Group's indebtedness mainly consisted of short-term bank loans of approximately RMB257.1 million (31 December 2018: short-term bank loans of approximately RMB170.3 million and a borrowing of approximately RMB69.5 million). The average annual interest rate was 5.1% (2018: 4.7%). This is a result of the Group's financial planning based on the financial costs in the market and normal working capital required.

As at 31 December 2019, 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 little amount in USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 31 December 2019, the net cash of the Group was approximately RMB400.7 million (31 December 2018: net cash of approximately RMB449.2 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 5.2% (2018: approximately 5.2%).

Pledge of assets

As at 31 December 2019, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2019, 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 such entities.

Employee, training and development

As at 31 December 2019, the Group had a total of 905 employees compared to the 862 employees as at 31 December 2018. Total staff costs for 2019 increased from approximately RMB163.9 million for 2018 to approximately RMB196.2 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 2019, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the year ended 31 December 2019, the Group had no significant investment.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2019, 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**"). From 9 January 2020 to 25 March 2020, due to Mr. Huang Yu's resignation as a non-executive director and a member of the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company, the number of members of the Remuneration Committee and Nomination Committee has fallen below the minimum number prescribed under the respective terms of reference of the Remuneration Committee and the Nomination Committee. The Company has appointed Mr. Qin Xuzhong as a member of the Remuneration Committee and the Nomination Committee with effect from 26 March 2020, following which the number of members of the Remuneration Committee and the Nomination Committee has respectively been restored to three in compliance with the relevant terms of reference.

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 effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2019 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 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

During 2019, the Company has not declared any dividend in respect of the financial year ended 31 December 2018. The Board does not recommend any final dividend for the year ended 31 December 2019.

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 Tuesday, 23 June 2020 to Monday, 29 June 2020, both days inclusive, during which period no transfer of Shares in the Company will be effected. The record date for entitlement to attend and vote at the AGM is Monday, 29 June 2020. In order to be eligible to attend and vote at the forthcoming AGM of the Company to be held on Monday, 29 June 2020, 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 Monday, 22 June 2020.

AGM

The AGM of the Company will be held in Hong Kong on Monday, 29 June 2020. 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 (www.hkexnews.hk) and the Company (www.technovator.com.sg). The annual report for the year ended 31 December 2019 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 2019 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, 26 March 2020

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