

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2020 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 2020, together with the comparative figures for the year ended 31 December 2019, 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 2020

(Expressed in Renminbi (“RMB”))

	Note	2020 RMB'000	2019 RMB'000
Revenue	2,3	1,736,664	1,752,778
Cost of sales		<u>(1,374,010)</u>	<u>(1,401,723)</u>
Gross profit		362,654	351,055
Other revenue		48,198	56,521
Other net loss		(1,203)	(10,403)
Selling and distribution costs		(89,981)	(94,374)
Administrative and other operating expenses		(129,176)	(125,432)
Impairment loss on trade and other receivables and contract assets		(24,061)	(38,014)
Share of profits of associates		<u>187</u>	<u>945</u>
Profit from operations		166,618	140,298
Finance costs	4(a)	<u>(12,178)</u>	<u>(11,819)</u>
Profit before taxation		154,440	128,479
Income tax	5(a)	<u>(21,892)</u>	<u>(15,062)</u>
Profit for the year		<u>132,548</u>	<u>113,417</u>
Profit attributable to:			
Equity shareholders of the Company		130,601	112,866
Non-controlling interests		<u>1,947</u>	<u>551</u>
Profit for the year		<u>132,548</u>	<u>113,417</u>
Earnings per share	6		
– Basic (RMB)		0.1670	0.1443
– Diluted (RMB)		<u>0.1670</u>	<u>0.1443</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

(Expressed in Renminbi (“RMB”))

	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year	132,548	113,417
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	<u>(5,723)</u>	<u>1,629</u>
Total comprehensive income for the year	<u>126,825</u>	<u>115,046</u>
Attributable to:		
Equity shareholders of the Company	124,975	114,464
Non-controlling interests	<u>1,850</u>	<u>582</u>
Total comprehensive income for the year	<u>126,825</u>	<u>115,046</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Renminbi (“RMB”))

		31 December 2020	31 December 2019
	<i>Note</i>	RMB’000	RMB’000
Non-current assets			
Property, plant and equipment		221,943	256,954
Interests in associates		3,571	3,384
Intangible assets		437,434	311,321
Other financial assets		514,922	524,146
Deferred tax assets		29,725	24,134
		<u>1,207,595</u>	<u>1,119,939</u>
Current assets			
Inventories		1,028,866	901,725
Contract assets		688,664	905,752
Trade and other receivables	7	1,366,911	1,342,333
Cash and cash equivalents		587,889	657,759
		<u>3,672,330</u>	<u>3,807,569</u>
Current liabilities			
Trade and other payables	8	1,555,301	1,723,068
Contract liabilities		137,131	88,905
Loans and borrowings		214,227	257,098
Lease liabilities		1,765	2,610
Income tax payable		36,213	44,831
		<u>1,944,637</u>	<u>2,116,512</u>
Net current assets		<u>1,727,693</u>	<u>1,691,057</u>
Total assets less current liabilities		<u>2,935,288</u>	<u>2,810,996</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2020

(Expressed in Renminbi (“RMB”))

		31 December 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
Non-current liabilities			
Deferred tax liabilities		28,805	28,474
Deferred income		9,551	10,003
Lease liabilities		1,814	–
Other non-current liabilities		–	57
		<u>40,170</u>	<u>38,534</u>
NET ASSETS		<u>2,895,118</u>	<u>2,772,462</u>
CAPITAL AND RESERVES			
Share capital	9	1,189,968	1,189,968
Reserves		1,687,523	1,562,548
Total equity attributable to equity shareholders of the Company		2,877,491	2,752,516
Non-controlling interests		17,627	19,946
TOTAL EQUITY		<u>2,895,118</u>	<u>2,772,462</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(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 2020 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

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

2 REVENUE

The Group are principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Disaggregation of revenue

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

	2020	2019
	RMB'000	RMB'000
Revenue from smart transportation business	574,417	523,087
Revenue from smart building and complex business	788,591	776,250
Revenue from smart energy business	373,656	453,441
	<u>1,736,664</u>	<u>1,752,778</u>

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

3 SEGMENT REPORTING

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

Smart transportation business (“**STB**”): It comprises a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System (“**ISCS**”), Building Automation System (“**BAS**”) for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service.

Smart building and complex business (“**SBB**”): It provides integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, aimed at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of buildings.

Smart energy business (“**SEB**”): It comprises a series of leading technologies such as regional energy planning, integrated utilisation of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilisation as well as optimisation and transformation of energy system. The Group possess self-owned core leading technologies (in the field of urban heating network) such as heating network & heating source monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology.

3 SEGMENT REPORTING (*Continued*)

(a) Information about reportable segments

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

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

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortisation, and certain allocated head office and corporate expenses/(gains). Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment sales), interest income and impairment losses. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

3 SEGMENT REPORTING (Continued)

(a) Information about reportable segments (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	STB		SBB		SEB		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Disaggregated by timing of revenue recognition								
Point in time	25,929	10,384	151,588	219,732	70,453	89,583	247,970	319,699
Over time	548,488	512,703	637,003	556,518	303,203	363,858	1,488,694	1,433,079
Revenue from external customers	574,417	523,087	788,591	776,250	373,656	453,441	1,736,664	1,752,778
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	574,417	523,087	788,591	776,250	373,656	453,441	1,736,664	1,752,778
Reportable segment profit	93,902	79,460	93,985	43,749	86,047	126,446	273,934	249,655
Interest income	6,550	7,478	7,470	10,606	26,201	23,163	40,221	41,247
Impairment loss on trade and other receivables and contract assets	(8,844)	(11,345)	(7,688)	(16,833)	(7,529)	(9,836)	(24,061)	(38,014)
Impairment loss on property, plant and equipment	-	-	-	-	(12,941)	-	(12,941)	-

(b) Reconciliations of reportable segment profit or loss

	2020 RMB'000	2019 RMB'000
Profit		
Reportable segment profit	273,934	249,655
Depreciation and amortisation	(95,478)	(103,616)
Finance costs	(12,178)	(11,819)
Unallocated head office and corporate expenses	(11,838)	(5,741)
Consolidated profit before taxation	154,440	128,479

(c) Geographic information

For the year ended 31 December 2020, 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on loans and borrowings	12,004	11,488
Interest on lease liabilities	174	331
	<u>12,178</u>	<u>11,819</u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and other benefits	183,770	178,460
Contributions to defined contribution retirement schemes	8,882	17,718
	<u>192,652</u>	<u>196,178</u>

5 INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for the year	24,898	21,635
Under/(over)-provision in respect of prior years	2,254	(3,137)
	<u>27,152</u>	<u>18,498</u>
Deferred tax		
Origination and reversal of temporary differences	(5,260)	(3,436)
	<u>21,892</u>	<u>15,062</u>

5 INCOME TAX (*Continued*)

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

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation		154,440	128,479
Expected tax calculated at the respective tax rates	<i>(i)/(ii)</i>	39,597	33,130
Tax effect on non-deductible expenses		1,336	667
Effect of tax concession	<i>(iii)</i>	(23,113)	(18,155)
Tax effect of non-taxable income		(940)	(221)
Tax effect of unused tax losses not recognised		3,168	3,115
Tax effect of utilisation of tax losses not recognised in prior years		(410)	(337)
Under/(over)-provision in prior years		2,254	(3,137)
Actual income tax expense		21,892	15,062

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2020 and 2019. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2020 and 2019.
- (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 2020 and 2019.

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 2020 and 2019.

- (iii) Tongfang Technovator Int (Beijing) Co., Ltd. (“**Technovator Beijing**”) is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2023.

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

6 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB130,601,000 (2019: RMB112,866,000) and the weighted average number of ordinary shares of 782,192,189 (2019: 782,192,189) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2020	2019
	<i>Number of shares</i>	<i>Number of shares</i>
Issued ordinary shares at 1 January	782,192,189	782,192,189
Effect of purchase of own shares	—	—
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>782,192,189</u>	<u>782,192,189</u>

(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 RMB130,601,000 (2019: RMB112,866,000) and the weighted average number of ordinary shares of 782,192,189 (2019: 782,192,189) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (diluted):

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 in respect of a dilution as there were no dilutive potential shares outstanding.

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

	2020	2019
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares at 31 December	782,192,189	782,192,189
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	—	—
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<u>782,192,189</u>	<u>782,192,189</u>

7 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade debtors due from related parties	147,157	86,256
Other trade debtors	1,093,049	1,024,168
Bills receivable	17,851	66,547
Less: Allowance for doubtful debts	<u>(126,477)</u>	<u>(106,475)</u>
	1,131,580	1,070,496
Other receivables		
– amounts due from related parties	41,550	50,398
– amounts due from third parties	83,702	96,567
Less: Allowance for doubtful debts	<u>(6,542)</u>	<u>(6,350)</u>
	1,250,290	1,211,111
Deposits and prepayments	<u>116,621</u>	<u>131,222</u>
	<u>1,366,911</u>	<u>1,342,333</u>

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 2020 RMB'000	31 December 2019 RMB'000
Current	<u>1,029,789</u>	993,640
Less than 1 month past due	1,495	28
More than 1 month but less than 3 months past due	1,755	4,219
More than 3 months but less than 12 months past due	82,400	25,682
More than 12 months past due	<u>16,141</u>	<u>46,927</u>
	<u>101,791</u>	<u>76,856</u>
	<u>1,131,580</u>	<u>1,070,496</u>

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

8 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade and bills payables due to related parties	104,693	143,596
Other trade and bills payables	1,275,045	1,378,169
	1,379,738	1,521,765
Other payables and accruals		
– amounts due to related parties	11,745	53,356
– amounts due to third parties	163,818	147,947
Financial liabilities measured at amortised cost	1,555,301	1,723,068

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 2020 RMB'000	31 December 2019 RMB'000
By date of invoice:		
Within 3 months	1,017,403	1,080,668
More than 3 months but within 6 months	52,803	61,982
More than 6 months but within 12 months	58,200	78,997
More than 12 months	251,332	300,118
	1,379,738	1,521,765

9 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

There were no dividends payable to equity shareholders attributable to the previous financial year, and no dividends were approved and paid during 2020 and 2019.

(b) Share capital

	2020		2019	
	<i>Number of shares</i>	<i>Amounts RMB'000</i>	<i>Number of shares</i>	<i>Amounts RMB'000</i>
Ordinary shares issued and fully paid:				
At 1 January	782,192,189	1,189,968	782,192,189	1,189,968
Shares repurchased and cancelled	—	—	—	—
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 2020 and 2019.

10 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Impacts from Coronavirus outbreak

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

2020 has been a tough year around the globe. China and international economic development was severely affected due to the fierce challenge from the Coronavirus pandemic (“COVID-19”). The Group recorded revenue of approximately RMB1,736.7 million for the full year, representing a year-on-year decrease of 0.9%. Nevertheless, the Group’s profit margin has been improved to a certain extent resulted from strong application of proprietary products and cost control, and recorded a profit of approximately RMB132.5 million for the full year, representing a year-on-year increase of 16.8%.

Under the dual challenges of COVID-19 and adverse economic situation, the Group remained committed to its original aspiration and has strictly controlled its product and project quality, while persistently deepening technological innovation. In 2020, Technovator won the “Top Ten Building Automation Control Brands Award” in China for the eighth consecutive year, continuing to be the leader in the national brands of building control. At the same time, the Group continued to actively participate in the formulation of various national and industry standards and specifications in order to make contribution to the industry norm development.

BUSINESS REVIEW

Smart Transportation Business

In 2020, China is at a critical stage of building up its strength in transport, moving towards “a country with strong transportation network” from “a country with large transportation network”. Facing the adverse impact caused by COVID-19, the smart transportation business seized the opportunity and overcame difficulties, strove to pay equal attention to project construction and services assurance as well as allocated resources reasonably. Meanwhile, it also proactively gave play to its technology innovation capability and vigorously promoted the project application of its own core technology and products. In 2020, revenue and profit margins of the segment for the full year were bucked up.

During the period, the segment launched smart station integrated operation and management platform (ezISCS-SOM), which built up three-dimensional station model with BIM and 3DGIS technology, and on the basis of Integrated Supervision and Control System, carried out comprehensive perception, extensive interconnection and coordinated operation on human being, equipment, environment and various factors to establish a smart station management system with intelligent operation, smart operation and maintenance as well as smart services. During the year, smart station integrated operation and management platform has been successfully applied to Xi’an Subway Line 5, branch line of Chongqing Subway Line 6 and other projects.

In the meantime, projects such as Hangzhou Subway Line 5 and 7, Jinan R2 Line, Xi'an Subway Line 5 Phase I and II, Wuhan Line 11 Phase III and Orange Line in Lahore, Pakistan have overcome unfavorable factors caused by the pandemic and were completed and put into operation as scheduled during the year. In addition, the newly-signed integrated supervision project for Jinhua Jinyidong Urban Rail Transit (金華市金義東市域軌道交通) in Zhejiang Province continued to strengthen the Group's leading position in the field of subway integrated supervision. The newly-signed oversized platform screen doors project for Zhengzhou Urban Rail Transit Line 6 Phase I was the first to introduce self-developed smart operation and maintenance platform into the platform screen doors system. The newly-signed Energy Management Contract (EMC) project of energy-saving reconstruction for the ventilation and air conditioning system of Beijing Subway Line 15 made another breakthrough in energy-saving reconstruction business in subway stations, empowering profit margin growth for the segment.

Smart Building and Complex Business

Owing to its good project accumulation in previous periods, the smart building and complex business of the Group has strived to employ people and promote production to safeguard the smooth implementation of existing projects, and at the same time tightly grasped the opportunities brought about by the trend of "New Infrastructure" to expand new market during the pandemic. In 2020, revenue from this segment grew steadily. With the further promotion and application of its self-owned core products and accelerated development of various business pattern, profit margin for the segment during the period increased significantly.

In order to follow the developing direction of "New Infrastructure", the segment strengthened the technology research and development as well as innovation efforts on urban smart utility tunnel during the period, significantly upgrading the proprietary smart utility tunnel software platform, introducing big data, artificial intelligent technology and unified three-dimensional modelling technology. Several projects using this software platform have gained appreciation from users. In the meantime, the segment rapidly developed and completed two groups of new products which were applicable to platform screen doors of urban transit, urban heating network of IoT based on the self-owned Techcon Neosys hardware platform during the period, and applied them in key projects, realizing cross-segment application of proprietary building control products. Furthermore, two national scientific research projects in the 13th Five-Year Plan the segment engaged in during the period have successfully completed the R&D and demonstration tasks, entering into the stage of conclusion and acceptance.

During the period, each division of national key projects such as Hengqin Port Project in Zhuhai, the NUO hotel ancillary facilities of Universal Studio Beijing and Shaanxi Broadcasting Network Industry Base Data Center (陝西廣電網絡產業基地數據中心) had overcome adverse impact caused by the pandemic and realized early resumption of work by adopting closed construction and other means to fully guarantee the process of projects, resulting in a number of projects successfully passing the acceptance during the year. Self-owned Techcon series software and hardware products continued to be applied in various projects in different regions. Meanwhile, the segment also signed additional projects including EMC Projects of Energy-saving Renovation for Public Buildings of Hebei Agricultural University, Entrusted Energy Operation and Maintenance Project of PKU Resources Pioneer Park, etc., and continued to expand its diversified business model to drive the enhancement of segment profit margin and sustainability.

Smart Energy Business

Owing to negative effects caused by COVID-19, a number of engineering projects of smart energy segment have been postponed while tender of new projects was delayed. The implementation of operation and maintenance projects were hindered, and the process of overall project settlement was slowed down, resulting in a significant decline in revenue and profit margin of the segment in 2020. However, with the development of energy revolution, and reducing consumption and improving efficiency in urban centralized heating has a huge potential demand, the Group remained optimistic about the long-term development of the segment.

The R&D team of the smart energy segment has been deeply penetrating in the development of urban centralized heating over 30 years and its core technologies keep iterating and innovating. During the period, the team successfully developed and completed the “Qihui” (啟慧) smart heating software platform, which could solve the “big waste” problems caused by “small problems” in energy system. The platform fits for large energy system and is a tailor-made three-level index system. Picture of energy consumption and planned energy-saving pattern of comprehensive analysis system became the benchmarking products of smart heating and have been successfully applied in real projects.

During the period, the Taiyuan Absorption Heat Exchange Unit Project (太原熱力吸收式換熱機組項目), the Shaanxi Shenmu Smart Heat Network Project and the heat supply improvement project of “Three Supplies and Estate Management” (三供一業) in Taiyuan and Baoding have been orderly carried forward. Meanwhile, the Smart Heating Project of Ningxia Power Investment Corporation (寧夏電投智慧供熱項目) was newly signed. The project is based on the self-developed “Qihui IHM3.0 – Intelligent Heating Network Management Platform”, building an integrated platform of smart heating control for Ningxia Power Investment Corporation to achieve network-wide balance and smart control, and to ensure that the heating network is safe, environmental friendly, stable, and economic operated. We also signed the projects such as the “Three Supplies and Estate Management” (三供一業) Project of PetroChina Xi’an Changqing Xinglongyuan Community, and the heating project of Dezhou Heating Group (德州市熱力集團) to reduce heating energy consumption and improve heating management for users.

OUTLOOK

The unprecedented outbreak of COVID-19 in 2020 has brought unexpected challenges to the world. It was also a tough year for Technovator. Nevertheless, 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. The management believes that the Group’s own technology and innovation capability are always the best guarantee for future development.

In the future, the Group will continue to adhere to the technology-based development direction, seize the development opportunities of various sectors under the background of “New Infrastructure”, conform market demand, give full play to its innovation capability, and make full use of the new generation of information technology such as 5G, artificial intelligence, industrial Internet, big data and cloud computing to provide users with smart, safe and green new technology products and solutions. At the same time, we will continue to expand diversified business areas and cooperation models, strive to promote technological and industrial coordination, improve the Group’s own profitability and sustainable development capabilities, and promote the healthy development of the entire industry.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

As the global economy was severely hit by the outbreak of COVID-19 in 2020, domestic economic growth was still under huge pressure. During the year, Technovator has overcome the difficulties by making every effort to promote business development. The Group recorded net revenue of RMB1,736.7 million for the full year, representing a slight decline by 0.9% year-on-year. Thanks to the efforts made by the Group to accelerate the implementation of the projects after the resumption of work and production, the revenue for the year in the smart transportation segment achieved trend-bucking growth. In the meantime, the Group allocated its resources in a reasonable manner to ensure the key national large-scale infrastructure projects under the smart building and complex segment will be completed as scheduled, so as to empower revenue increase for the segment. As the smart energy segment has been affected by the pandemic more seriously, the implementation of operation and maintenance projects was hindered, resulting in a decline in segment revenue during the year.

Revenue by business segments

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

	2020		2019		Comparison
	Revenue (RMB’000)	% of revenue	Revenue (RMB’000)	% of revenue	
Smart transportation	574,417	33%	523,087	30%	9.8%
Smart building and complex	788,591	45%	776,250	44%	1.6%
Smart energy	373,656	22%	453,441	26%	-17.6%
Total	<u>1,736,664</u>	<u>100%</u>	<u>1,752,778</u>	<u>100%</u>	<u>-0.9%</u>

Smart Transportation

Revenue from the smart transportation business increased by 9.8% from approximately RMB523.1 million in 2019 to approximately RMB574.4 million. During the year, the Group has newly signed the EPC projects such as Gedian Section of Wuhan Metro Line 11 and the EMC project of ventilation and air-conditioning energy-saving improvement of Beijing Subway Line 15, as well as accelerated the implementation of projects and ensured the settlement progress after resumption of work and production, making those projects the main drivers to generating revenue for smart transportation segment. During the period, historical existing projects such as the Xi'an Urban Subway Line 5 Phases I and II, Hangzhou Subway Line 7 and Pakistan Lahore Orange Line (巴基斯坦拉哈爾橙綫) were completed as scheduled and put into operation, which helped the segment to achieve trend-bucking growth in revenue.

Smart building and complex

Revenue from the smart building and complex segment recorded a slight increase of 1.6% from approximately RMB776.3 million in 2019 to approximately RMB788.6 million in 2020. During the year, the Group has newly signed intelligent projects such as the construction project of Shenzhen University Xili Campus (深圳大學西麗校區建設工程) and Energy Information Technology Industry Base in Taihang Mountains around the capital (環首都太行山能源信息技術產業基地) and the EMC project of public buildings lighting and air-conditioning system of Hebei Agricultural University (河北農業大學公共建築照明及空調系統EMC項目), which made steady progress and generated revenue during the year. Furthermore, due to the fixed delivery schedule, the key national projects signed in previous periods such as the construction project of the NUO resort hotel ancillary facilities of Universal Studios Beijing, Shaanxi Broadcasting Network Industry Base Data Center (陝西廣電網絡產業基地數據中心) experienced limited impacts from the pandemic, thus safeguarding smooth progress and revenue generation of business sector after the pandemic.

Smart energy

Revenue from the smart energy segment for the year amounted to approximately RMB373.6 million, representing a decrease of approximately 17.6% from approximately RMB453.4 million in 2019. The decrease in revenue from the smart energy segment for the year was due to strong seasonality of smart energy projects which experienced more impact by the pandemic, while the limitation of movement resulted in hinderance in the implementation of operation and maintenance projects as well as slowdown in settlement. As the pandemic in the nation has been gradually under control, the Group is well prepared to drive project progress in order to cover the loss caused by the pandemic while actively signing contracts. In 2020, the Group has newly signed Taiyuan Absorption Heat Exchange Unit Project (太原熱力吸收式換熱機組項目), the heat supply improvement project of “Three Supplies and Estate Management” (三供一業) in Taiyuan and Baoding and coal to electricity projects in Jize, Yongji and Pinglu, and has made certain progress during the year, which facilitated the sustainable and steady development of and contributed revenue to the segment.

Cost of sales

Cost of sales decreased by approximately 2.0% from approximately RMB1,401.7 million in 2019 to approximately RMB1,374.0 million in 2020. The decrease in cost was the combined effect of the decrease in revenue and cost control.

Gross profit

Gross profit increased by 3.3% from approximately RMB351.1 million in 2019 to approximately RMB362.7 million in 2020. Gross profit margin for the year was approximately 20.9%, representing an increase of 0.9 percentage points from 20.0% in previous year. The increase in gross profit margin from the segment was driven by the increase in gross profit for newly signed projects in the smart building and complex segment and partial settlement of related projects during the year, thus boosting the Group's overall gross profit margin.

Other revenue

Other revenue decreased by approximately 14.7% from approximately RMB56.5 million in 2019 to approximately RMB48.2 million in 2020, which was mainly due to the decrease in government subsidies received by the Group during the year.

Other net loss

Other net loss decreased from approximately RMB10.4 million in 2019 to the net loss of approximately RMB1.2 million in 2020. The one-off disposal of related assets of approximately RMB6.3 million by the Group for legal proceedings last year was in non-recurring nature. Other net loss for the year significantly decreased as a result of the absence of disposal during the year.

Selling and distribution costs

Selling and distribution costs in 2020 amounted to approximately RMB90.0 million, representing a decrease of approximately 4.7% as compared to 2019. Selling and distribution costs accounted for 5.2% (2019: 5.4%) of revenue. Since the Group has tightened the control over movement of people during the pandemic, which had a positive effect on the management of selling and distribution costs. The amount and the proportion of the revenue decreased during the year.

Administrative and other operating expenses

Administrative and other operating expenses increased by 3.0% from approximately RMB125.4 million in 2019 to approximately RMB129.2 million in 2020. Impairment on fixed assets in smart energy segment increased by RMB12.9 million during the year, resulting in a year-on-year increase in administrative and other operating expenses for the year.

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets decreased by 36.6% from approximately RMB38.0 million in 2019 to approximately RMB24.1 million in 2020, which was mainly due to the improvement in the structure of trade and other receivables of the Group.

Finance costs

The Group's finance costs in 2020 were approximately RMB12.2 million. The Group's demand for working capital increased due to the effect of pandemic. During the year, short-term loans within one year of approximately RMB43.8 million were obtained and settled. However, the corresponding finance costs were presented in the period while loans were not presented in the closing balance. Therefore, finance costs for the year have increased by 3.4% year-on-year as compared to approximately RMB11.8 million in 2019.

Income tax

Income tax increased by 45.0% from approximately RMB15.1 million in 2019 to approximately RMB21.9 million in 2020. The effective tax rate increased from 11.7% in the previous year to 14.2% during the year. The increase in income tax was mainly driven by the increase in profit before tax for the year. Effective tax rate increased year-on-year was due to relatively low effective tax rate as a result of tax return from the income tax settlement in the previous year and payment for outstanding tax during the year.

Profit for the period

During the year, profit for the period increased by approximately 16.8% from approximately RMB113.4 million in 2019 to approximately RMB132.5 million in 2020. Net profit margin increased by 1.1 percentage points from 6.5% in 2019 to approximately 7.6% in 2020.

The basic earnings per share from continuing operations of the Group increased by 15.7 percentage points year-on-year to RMB0.1670 (2019: RMB0.1443). The diluted earnings per share increased by 15.7 percentage points year-on-year to RMB0.1670 (2019: RMB0.1443).

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 2020 (RMB'000)	As at 31 December 2019 (RMB'000)
Inventories	1,028,866	901,725
Trade and other receivables	1,366,911	1,342,333
Trade and other payables	1,555,301	1,723,068
Average inventory turnover days	200	174
Average trade receivables turnover days ^(Note)	231	218
Average trade payables turnover days ^(Note)	352	338

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

The Group's inventories increased from approximately RMB901.7 million as at 31 December 2019 to approximately RMB1,028.9 million as at 31 December 2020. The inventory turnover days increased from approximately 174 days in 2019 to approximately 200 days in 2020. Affected by the pandemic, the progress of certain projects lagged behind and settlement slowed down, resulted in an increase in inventory scale and turnover days as compared to last year.

The Group's trade and other receivables amounted to RMB1,366.9 million in 2020, which remained basically stable as compared to approximately RMB1,342.3 million as at 31 December 2019. The average trade receivables turnover days increased from approximately 218 days in 2019 to 231 days in 2020. During the pandemic, the collection progress of projects was relatively slower, resulting in the slowdown in collection of trade receivables and the increase in the scale of trade receivables.

The Group's trade and other payables amounted to approximately RMB1,555.3 million as at 31 December 2020, representing a decrease from approximately RMB1,723.1 million as at 31 December 2019. The Group's average trade payables turnover days increased from approximately 338 days in 2019 to approximately 352 days in 2020. During the pandemic, the trade payables turnover days throughout the year increased as the Group made appropriate adjustment on payment pace to maintain liquidity. At the same time, the Group strived to guarantee the payment to suppliers of major projects so as to cater for the production and timeframe of the projects in haste, which led to the decrease in the closing balance of trade and other payables compared to last year.

Liquidity and financial resources

In 2020, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB587.9 million, which accounted for 20.3% of the Group's net assets (31 December 2019: cash and cash equivalents of approximately RMB657.8 million).

As at 31 December 2020, the Group's indebtedness consisted of short-term bank loans of approximately RMB214.2 million with an average interest rate of 4.6% (2019: 5.1%) per annum. It is the result of the Group's financial planning based on the financial costs in the market and normal working capital required.

As at 31 December 2020, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB and certain amounts in USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 31 December 2020, the net cash of the Group was approximately RMB373.7 million (31 December 2019: net cash of approximately RMB400.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 4.4% (2019: approximately 5.2%).

Pledge of assets

As at 31 December 2020, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

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

Employee, training and development

As at 31 December 2020, the Group had a total of 863 employees compared to the 905 employees as at 31 December 2019. Total staff costs in 2020 decreased from approximately RMB196.2 million in 2019 to approximately RMB192.7 million.

As a matter of policy, the Group remunerates its employees based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis.

The Group provides regular training for its employees to keep them abreast of the Group’s products, technology developments and the market conditions of its industry. The Group also offers additional training for frontline sales staff regarding each new product launch, so as to help them deliver more effective sales and promotion. In addition, the Group’s senior management also attends conferences and exhibitions to broaden their knowledge of the industry.

Material acquisitions and disposals

For the year ended 31 December 2020, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the year ended 31 December 2020, the Group had no significant investment.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2020, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code (the “*Corporate Governance Code*”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), except for deviation from A.1.1 of the Corporate Governance Code as disclosed below. 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.

A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two Board meetings were held for approving the Group’s interim financial performance and annual financial performance which required the Board decision. In addition to the two Board meetings held by the Company, the Directors met regularly during the year to discuss the overall operation and strategy of the Group. However, there are neither regulatory matters nor other important decisions which was advised for the Board consider to resolve by way of Board meeting.

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

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2020 as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year ended 31 December 2020.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

DIVIDENDS

During 2020, the Company has not declared any dividend in respect of the financial year ended 31 December 2019. The Board does not recommend any final dividend for the year ended 31 December 2020.

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 Friday, 11 June 2021 to Thursday, 17 June 2021, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company to be held on Thursday, 17 June 2021, 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 Thursday, 10 June 2021.

AGM

The AGM of the Company will be held in Hong Kong on Thursday, 17 June 2021. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.technovator.com.sg). The annual report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

AUDIT COMMITTEE

The Group’s audited consolidated results for the year ended 31 December 2020 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, 29 March 2021

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.