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TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2021 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the “**Board**”) of Technovator International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the “**Group**” or “**Technovator**”) for the six months ended 30 June 2021 (“**1H2021**”), together with the comparative figures for the corresponding period in 2020 (“**1H2020**”). These results have been reviewed by the Company’s audit committee, comprising solely the independent non-executive directors of the Company. The unaudited interim financial statements for 1H2021 have been reviewed by the Company’s external auditor.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		RMB’000	RMB’000
Revenue	3, 4	689,261	624,840
Cost of sales		<u>(534,794)</u>	<u>(481,196)</u>
Gross profit		154,467	143,644
Other revenue		17,996	23,794
Other net loss		(2,621)	(659)
Selling and distribution costs		(56,542)	(47,801)
Administrative and other operating expenses		(73,316)	(60,186)
Impairment loss on trade and other receivables and contract assets		(15,329)	(37,236)
Share of loss of associates		<u>(317)</u>	<u>(18)</u>
Profit from operations		24,338	21,538
Finance costs	5(a)	<u>(3,712)</u>	<u>(8,121)</u>
Profit before taxation		20,626	13,417
Income tax	6	<u>(4,389)</u>	<u>(1,638)</u>
Profit for the period		<u>16,237</u>	<u>11,779</u>
Profit attributable to:			
Equity shareholders of the Company		17,214	12,791
Non-controlling interests		<u>(977)</u>	<u>(1,012)</u>
Profit for the period		<u>16,237</u>	<u>11,779</u>
Earnings per share	7		
– Basic (RMB)		0.0220	0.0164
– Diluted (RMB)		<u>0.0220</u>	<u>0.0164</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi (“RMB”))

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	16,237	11,779
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(699)</u>	<u>1,416</u>
Total comprehensive income for the period	<u>15,538</u>	<u>13,195</u>
Attributable to:		
Equity shareholders of the Company	16,532	14,174
Non-controlling interests	<u>(994)</u>	<u>(979)</u>
Total comprehensive income for the period	<u>15,538</u>	<u>13,195</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

(Expressed in Renminbi (“RMB”))

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		213,385	221,943
Interests in associates		3,254	3,571
Intangible assets		441,711	437,434
Financial assets measured at amortised cost		489,619	514,922
Deferred tax assets		34,571	29,725
		<u>1,182,540</u>	<u>1,207,595</u>
Current assets			
Inventories		1,055,530	1,028,866
Contract assets		782,281	688,664
Trade and other receivables	8	1,371,541	1,250,290
Prepayments		131,047	116,621
Cash and cash equivalents		149,953	587,889
		<u>3,490,352</u>	<u>3,672,330</u>
Current liabilities			
Trade and other payables	9	1,424,780	1,555,301
Contract liabilities		110,987	137,131
Loans and borrowings		160,251	214,227
Lease liabilities		1,778	1,765
Income tax payable		26,968	36,213
		<u>1,724,764</u>	<u>1,944,637</u>
Net current assets		<u>1,765,588</u>	<u>1,727,693</u>
Total assets less current liabilities		<u>2,948,128</u>	<u>2,935,288</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2021 – unaudited**(Expressed in Renminbi (“RMB”))*

		At 30 June 2021 <i>RMB’000</i>	At 31 December 2020 <i>RMB’000</i>
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		917	1,814
Deferred tax liabilities		27,641	28,805
Deferred income		8,914	9,551
		<u>37,472</u>	<u>40,170</u>
NET ASSETS		<u>2,910,656</u>	<u>2,895,118</u>
CAPITAL AND RESERVES			
Share capital	<i>10</i>	1,189,968	1,189,968
Reserves		1,704,055	1,687,523
Total equity attributable to equity shareholders of the Company		2,894,023	2,877,491
Non-controlling interests		16,633	17,627
TOTAL EQUITY		<u>2,910,656</u>	<u>2,895,118</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 25 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included in the interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 16, *Covid-19-related rent concessions*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

3 REVENUE

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

Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from smart transportation business	261,784	194,361
Revenue from smart building and complex business	299,648	328,037
Revenue from smart energy business	127,829	102,442
	<u>689,261</u>	<u>624,840</u>

4 SEGMENT REPORTING

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

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

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

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

(a) **Information about reportable segments**

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

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

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

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 are set out below:

For the six months ended	STB		SBB		SEB		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	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	1,991	2,364	71,626	48,597	17,535	33,721	91,152	84,682
Over time	259,793	191,997	228,022	279,440	110,294	68,721	598,109	540,158
Revenue from external customers	261,784	194,361	299,648	328,037	127,829	102,442	689,261	624,840
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	261,784	194,361	299,648	328,037	127,829	102,442	689,261	624,840
Reportable segment profit	19,321	26,488	38,615	23,861	24,519	23,966	82,455	74,315
Interest income	2,439	2,914	2,455	4,092	11,173	11,198	16,067	18,204
Impairment losses	(4,801)	(11,657)	(4,274)	(14,710)	(6,254)	(10,869)	(15,329)	(37,236)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit		
Reportable segment profit	82,455	74,315
Depreciation and amortisation	(54,466)	(44,692)
Finance costs	(3,712)	(8,121)
Unallocated head office and corporate expenses	(3,651)	(8,085)
	<u>20,626</u>	<u>13,417</u>

(c) **Geographic information**

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

5 **PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(a) Finance costs		
Interest on loans and borrowings	3,646	8,020
Interest on lease liabilities	66	101
	<u>3,712</u>	<u>8,121</u>
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(b) Other items		
Amortisation	36,115	29,141
Depreciation		
– owned property, plant and equipment	17,454	12,720
– right-of-use assets	897	2,831
Research and development expenses	3,971	4,429
Interest income	(16,067)	(18,204)

6 INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax	10,399	7,750
Deferred tax	(6,010)	(6,112)
	<u>4,389</u>	<u>1,638</u>

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2021 and 2020. No provision for Singapore income tax was made because the Company sustained tax losses for the period.
- (ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

The subsidiary of the Group established in the Cayman Islands is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 and 2020.

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

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

7 EARNINGS PER SHARE

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB17,214,000 (six months ended 30 June 2020: RMB12,791,000) and the weighted average of 782,192,189 ordinary shares (2020: 782,192,189 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB17,214,000 (six months ended 30 June 2020: RMB12,791,000) and the weighted average number of ordinary shares of 782,192,189 (2020: 782,192,189 shares).

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance of doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Current	1,209,190	1,029,789
Less than 1 month past due	8,419	1,495
More than 1 month but less than 3 months past due	2,164	1,755
More than 3 months but less than 12 months past due	19,930	82,400
More than 12 months past due	12,835	16,141
	<hr/>	<hr/>
Trade debtors and bills receivable, net of allowance for doubtful debts	1,252,538	1,131,580
	<hr/>	<hr/>
Other receivables	119,003	118,710
	<hr/>	<hr/>
	1,371,541	1,250,290
	<hr/>	<hr/>

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

9 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
By date of invoice:		
Within 3 months	751,165	1,017,403
More than 3 months but within 6 months	72,204	52,803
More than 6 months but within 12 months	128,759	58,200
More than 12 months	299,033	251,332
	<hr/>	<hr/>
Total creditors and bills payable	1,251,161	1,379,738
	<hr/>	<hr/>
Other payables and accruals	173,619	175,563
	<hr/>	<hr/>
	1,424,780	1,555,301
	<hr/>	<hr/>

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2021		At 31 December 2020	
	Number of shares	Amounts RMB'000	Number of shares	Amounts RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	782,192,189	1,189,968	782,192,189	1,189,968
Share repurchased and cancelled	—	—	—	—
At 30 June/31 December	<u>782,192,189</u>	<u>1,189,968</u>	<u>782,192,189</u>	<u>1,189,968</u>

(b) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

(c) Dividends

The Company has not declared interim dividend attributable to the six months ended 30 June 2021 and 2020.

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Impacts of COVID-19 pandemic

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 1H2021, as the situation of prevention and control of the coronavirus pandemic (“COVID-19”) in China stabilized, the business development and project implementation under each segment of Technovator also gradually resumed. The Group achieved revenue of approximately RMB689.3 million in the first half of the year, representing a year-on-year increase of 10.3%; and profit amounted to approximately RMB16.2 million for the period, representing a year-on-year increase of 37.8%, resulting in an improvement in overall operation.

BUSINESS REVIEW

Smart Transportation Business

In 1H2021, the Smart Transportation Business overcame the adverse effects of the pandemic and accelerated the progress of projects under construction, resulting in a significant increase in its revenue for the period. However, due to the increase in costs as a result of the pandemic, the profit margin of the segment decreased.

During the period, the implementation of key projects such as Zhengzhou Rail Transit Line 6 (鄭州軌道交通6號綫), Wuhan Rail Transit Line 5 (武漢軌道交通5號綫), Tianjin Metro Line 4 (天津地鐵4號綫) and Hangzhou Metro Line 10 (杭州地鐵10號綫) under the segment was vigorously promoted. Meanwhile, the Energy Management Contract (EMC) project of Beijing Metro Line 15 (北京地鐵15號綫) completed construction and was put into operation. Suzhou rail transit Network Command Center was also officially launched, ensuring the segment’s income growth due to its superior engineering and technical strengths.

The energy-saving project of Beijing Metro Line 19 (北京地鐵19號綫) Phase I was signed during the period. As a pilot project of the Beijing Municipal Science and Technology Commission (北京市科學技術委員會), the project will adopt the self-developed magnetic levitation direct-cooling air-conditioning units and air-conditioning control system based on cluster intelligence technology, combined with Techcon EEC metro expert energy-saving system and EMOD energy management and online diagnosis system, to help the whole line of Line 19 achieve energy-saving operation and create an industry benchmark.

Smart Building and Complex Business

During the pandemic last year, the segment ensured the progress of a number of national key projects undertaken by the Smart Building and Complex Business. The above projects were in the final stage during the period, resulting in a decrease in revenue. Meanwhile, the bid for a number of new projects was postponed due to major national events, resulting in a decrease in segment revenue for the period. However, as a result of high-quality projects and the increased application of proprietary software products, the segment’s profitability improved significantly.

During the period, national key projects such as the Museum of the Communist Party of China (中國共產黨歷史展覽館), the renovation of the curling arena of the National Swimming Center (國家游泳中心冰壺場館) and the CPC Central Committee's Gift and Cultural Relics Management Center (中央禮品文物管理中心) were successfully completed, and the Group's technical and engineering strength was highly recognized by all parties again. The Group's proprietary Techcon series of software and hardware products continued to be applied in many airports, subways, exhibition halls and large commercial complex projects across China, enhancing the level of intelligent control for various buildings and creating a high-quality usage environment.

With years of independent research and development and practical exploration of industry-city integration, the Group spared no efforts to build a city central system with "Kunlun Platform (昆侖平台)" as the core, which combined new technologies such as big data, artificial intelligence and digital twin and had the ability to process massive amounts of data in parallel. On this platform, the Group developed a series of integrated applications for building parks, data centers, underground spaces, cultural and sports venues, intelligent medical care and other segments, which are constantly iterating and updating to provide users with intelligent management and decision-making services.

Smart Energy Business

In light of the stabilization of prevention and control of the pandemic across China, the adverse impact of the pandemic gradually eased. The implementation of a number of projects held back in the Smart Energy Business resumed steadily during the period, and the revenue of the segment rebounded significantly during the period. However, due to the increase in costs as a result of the pandemic, the profit margin of the segment decreased.

During the period, the segment actively promoted the implementation of Taiyuan centralized heating project series (太原市集中供熱系列項目), Henan Zhumadian centralized heating project (河南駐馬店集中供暖項目) and the first station large temperature differential unit project of Tai'an Kaiyuan Heat Supply (泰安市開元供熱首站大溫差機組項目), which helped increase revenue. In addition, EMC projects such as Xinjiang Tianfu (新疆天富) and Fushun Mining (撫順礦業) operated well, providing momentum for the segment's sustainable growth.

As the country aims to achieve the goal of "carbon emission peak and carbon neutrality", the Smart Energy Business continued to achieve innovative results to help the continuous upgrading and renovation of urban heating systems by leveraging on integration of production, learning, research, and application with innovation. In recent years, the segment has taken Taiyuan City as a benchmark and implemented difficult projects such as the Taigu long-distance heating project with substantial temperature differential, and the absorption type large temperature differential intelligent heat exchange unit for all working conditions, while building a "one city, one network" clean and intelligent heat supply system for Taiyuan City. The Group has always been concerned about climate change and is committed to bringing services of smart technology to more cities and regions.

OUTLOOK

In 1H2021, due to the combined impact of pandemic prevention and control, major national events and relevant policy adjustments, the bid for new projects in various segments was generally postponed. Amidst the adverse market environment, the Group will still operate actively and continue to explore the market in the second half of the year to achieve improvement.

Technovator will remain true to its original intention and adhere to the business line related to “Intelligence + Energy Saving”, while developing ideas, adjusting the pace and further combining new-generation information technologies, such as cloud computing, big data, the Internet of Things, 5G and artificial intelligence. We will drive business development with independent technological innovation, achieve emission reduction and efficiency increase in various business fields, contribute wisdom and strength to the country’s strategic goal of achieving carbon emission peak and carbon neutrality, and make continuous efforts to build better cities.

FINANCIAL REVIEW

Revenue

As the prevention and control of COVID-19 became commonplace across the country, the negative impact from the pandemic on brick and mortar industries has been reduced, and all business segments of the Group have gradually recovered. For 1H2021, the Group saw a 10.3% year-on-year increase in revenue and recorded net revenue of approximately RMB689.3 million. For the smart transportation and smart energy business segments, since they were significantly affected by the pandemic and the progress of their projects was hampered during the corresponding period last year, the revenues for both segments achieved year-on-year increases for the period by leveraging on the resumption of work at full speed after operation was back on track. For the smart building and complex business segment, a decrease in revenue was recorded as a series of large-scale projects that progressed in full speed during the previous period have entered into the final stage, resulting in a year-on-year decrease in revenue for this segment for the period.

Revenue by business segment

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

	Six months ended 30 June				Comparison
	2021	% of	2020	% of	
	Revenue (RMB'000) (Unaudited)	revenue	Revenue (RMB'000) (Unaudited)	revenue	
Smart transportation	261,784	38%	194,361	31%	34.7%
Smart building and complex	299,648	43%	328,037	53%	-8.7%
Smart energy	127,829	19%	102,442	16%	24.8%
Total	689,261	100%	624,840	100%	10.3%

Smart transportation

Revenue from the smart transportation business increased by 34.7% from approximately RMB194.4 million for 1H2020 to approximately RMB261.8 million for 1H2021. As the prevention and control of COVID-19 became commonplace across the country, the implementation progress of EPC projects gradually resumed. During the period, the Group accelerated the progress of its key projects, such as Wuhan Urban Rail Transit Line 5 (武漢軌道交通5號綫), Tianjin Metro Line 4 (天津地鐵4號綫) and Hangzhou Metro Line 10 (杭州地鐵10號綫), making these projects the main drivers to generate revenue for the smart transportation business. Meanwhile, the successful commencement of the construction of the newly contracted projects during the year, such as Zhengzhou Urban Rail Transit Line 6 (鄭州市軌道交通6號綫), Zhengzhou Airport-Xuchang Urban Railway (鄭州機場至許昌市域鐵路工程) and Guangzhou Urban Rail Transit Line 7 (廣州軌道交通7號綫), further promote an increase in revenue for the segment.

Smart building and complex

In 1H2021, the smart building and complex business recorded revenue of approximately RMB299.6 million, representing a year-on-year decrease of approximately 8.7% as compared to approximately RMB328.0 million for the corresponding period last year. Since the construction of the major infrastructure projects previously undertaken by the Group were largely completed last year, the revenue contribution from such projects decreased for the period. The progress in the implementation of new projects, such as the construction project of Shenzhen University Xili Campus (深圳大學西麗校區建設工程), the central A/C automatic control project of the data center of Amazon India (印度亞馬遜數據中心機房中央空調自控項目), and the Energy Information Technology Industry Base (Phase IV) in Taihang Mountains around the capital (環首都•太行山能源信息技術產業基地四期), helped secure a stable revenue stream for the smart building and complex business.

Smart energy

Revenue from the smart energy business increased by approximately 24.8% from approximately RMB102.4 million for 1H2020 to approximately RMB127.8 million for 1H2021. As the negative impact from the pandemic have been gradually mitigated, and the obstacles to the implementation of projects had diminished, the Group generated revenue by actively driving the progress of EPC projects, such as Taiyuan centralized heating project series (太原市集中供熱系列項目), the integrated OM and development services project regarding central heating in Henan Zhumadian (河南駐馬店集中供暖綜合運維及開發服務項目), and the units with large temperature differential in the first station for heat supply in Kaiyuan Tai'an (泰安市開元供熱首站大溫差機組). In addition, EMC projects including Xingjiang Tianfu (新疆天富) and Fushun Mining (撫順礦業) have maintained stable operations during the period, providing sustained momentum for the segment's revenue growth.

Cost of sales

Cost of sales increased by approximately 11.1% from approximately RMB481.2 million for 1H2020 to approximately RMB534.8 million for 1H2021, primarily as a result of the increase in costs driven by the increase in scale of revenue.

Gross profit

Gross profit increased by 7.6% from approximately RMB143.6 million for 1H2020 to approximately RMB154.5 million for 1H2021. Gross profit margin for the period was approximately 22.4%, representing a decrease of 0.6 percentage point as compared to the corresponding period last year.

Other revenue

Other revenue decreased by approximately 24.4% from approximately RMB23.8 million for 1H2020 to approximately RMB18.0 million for 1H2021. During the period, government subsidies received by the Group and interest income from EMC projects decreased as compared to the corresponding period last year, resulting in a year-on-year decrease in other income.

Other net loss

Other net loss increased from approximately RMB0.7 million for 1H2020 to approximately RMB2.6 million for the period, primarily as a result of the one-off penalty payment of approximately RMB2.6 million by the Group in relation to the projects implemented for the period.

Selling and distribution costs

Selling and distribution costs of the Group for 1H2021 were approximately RMB56.5 million, representing a year-on-year increase of 18.3% as compared to approximately RMB47.8 million for 1H2020. Selling and distribution costs as a percentage of revenue for the period were 8.2%, representing an increase of approximately 0.5 percentage point as compared to the corresponding period last year. As the situation of the pandemic became stable, outbound sales activities increased in line with revenue growth, resulting in a year-on-year increase in selling and distribution expenses for the period.

Administrative and other operating expenses

Administrative and other operating expenses increased by 21.8% from approximately RMB60.2 million for 1H2020 to approximately RMB73.3 million for 1H2021. As the results of previous research and development projects of the Group's subsidiaries were officially put into use, the increase in amortisation expenses was the main reason for a year-on-year increase in administrative and other operating expenses.

Impairment loss on trade and other receivables and contract assets

Impairment losses on trade and other receivables and contract assets amounted to RMB15.3 million for the period, representing a year-on-year decrease of approximately 58.8% as compared to RMB37.2 million for the corresponding period last year. The Group recorded an increase of approximately RMB10.8 million in provision for impairment loss on aged receivables for the corresponding period last year due to market environment, while the ageing structure of trade and other receivables and contract assets was improved for the period, resulting in a year-on-year decrease in impairment loss on trade and other receivables and contract assets.

Finance costs

Finance costs of the Group for 1H2021 were approximately RMB3.7 million, representing a year-on-year decrease of 54.3% as compared to approximately RMB8.1 million for 1H2020. The Group's interest expenses of approximately RMB3.4 million for the corresponding period last year were incurred from the collective repayment of loans. The absence of such non-recurring event during this year resulted in a significant decrease in finance costs for the period.

Income tax

Income tax increased from approximately RMB1.6 million in 1H2020 to approximately RMB4.4 million for the period. The year-on-year increase in income tax expense was attributable to the payment for tax filling difference of approximately RMB3.8 million in 2020 for final tax settlement.

Profit for the period

Profit for the period increased by approximately 37.8% from approximately RMB11.8 million for 1H2020 to approximately RMB16.2 million for 1H2021. Net profit margin for the period increased by approximately 0.5 percentage point from 1.9% to approximately 2.4%. The increase in profit and net profit margin for the period was due to the combined effects of the increase in the Group's revenue and expense changes.

The basic earnings per share from continuing operations of the Group increased by 34.1 percentage points year-on-year to RMB0.0220 (1H2020: RMB0.0164). The diluted earnings per share increased by 34.1 percentage points to RMB0.0220 (1H2020: RMB0.0164).

Working capital and financial resources

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

	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	As at 30 June 2020 (RMB'000)
Inventories	1,055,530	1,028,866	1,023,791
Trade and other receivables ^(Note 1)	1,502,588	1,366,911	1,303,284
Trade and other payables	1,424,780	1,555,301	1,556,986
Average inventory turnover days	271	200	277
Average trade receivables turnover days ^(Note 2)	302	231	312
Average trade payables turnover days ^(Note 2)	412	352	490

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

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

The Group's inventories increased by 2.6% from approximately RMB1,028.9 million as at 31 December 2020 to approximately RMB1,055.5 million as at 30 June 2021. After the Group resumed its normal business operation, it stocked up inventories in order to support its business operation, resulting in a temporary increase in inventory scale during the period. The inventory turnover days were approximately 271 days during the period, which remained basically stable as compared to the corresponding period last year.

The Group's trade and other receivables increased by 9.9% from approximately RMB1,366.9 million as at 31 December 2020 to approximately RMB1,502.6 million as at 30 June 2021. As the Company undertook more major infrastructure projects with longer acceptance and settlement cycles in recent years, the amount of receivables increased. The average trade receivables turnover days decreased from 312 days for the corresponding period last year to 302 days. The trade and other receivables turnover days improved as compared to the corresponding period last year.

The Group's trade and other payables amounted to approximately RMB1,424.8 million as of 30 June 2021, representing a decrease of approximately 8.4% from approximately RMB1,555.3 million as of 31 December 2020. The Group's average trade payables turnover days decreased from approximately 490 days in 1H2020 to approximately 412 days in 1H2021. Entering into a phase of normalized prevention and control of COVID-19, the Group settled the payment based on operational demands, resulting in a significant decrease in the amount of trade payables and the number of turnover days as compared to the corresponding period last year.

Liquidity and financial resources

During the period, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2021, the Group had approximately RMB150.0 million in cash and cash equivalents, which accounted for 5.2% of the Group's net assets (31 December 2020: cash and cash equivalents of approximately RMB587.9 million).

As at 30 June 2021, the Group's indebtedness consisted of short-term bank loans of approximately RMB160.3 million with an average interest rate of 4.1% per annum. It was the result of the Group's financial planning based on the finance costs in the market and the normal working capital required.

As at 30 June 2021, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2021, the net cash liabilities of the Group were approximately RMB10.3 million (31 December 2020: net cash of approximately RMB373.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 3.4% (31 December 2020: approximately 4.4%).

Pledge of assets

As at 30 June 2021, the Group had no pledge of assets.

Contingent liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

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

Employee, training and development

As at 30 June 2021, the Group had a total of 833 employees compared to the 880 employees as at 30 June 2020. Total staff costs increased from approximately RMB103.0 million in 1H2020 to approximately RMB113.3 million in 1H2021.

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

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

Material acquisitions and disposals

For the six months ended 30 June 2021, the Group had no other material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2021, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

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

The Company has also adopted the Model Code set out in Appendix 10 of Listing Rules throughout the six months ended 30 June 2021 as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the six months ended 30 June 2021.

ISSUE OF SECURITIES

During the six months ended 30 June 2021, the Company did not conduct any fund raising activities through issue of equity securities.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

DIVIDENDS

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.technovator.com.sg>). The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
Technovator International Limited
Qin Xuzhong
Chairman

Beijing, 25 August 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. Liang Wuquan and Mr. Zeng Xuejie and Mr. Zhang Jian; and the independent non-executive directors of the Company are Ms. Chen Hua, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony.