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TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2022 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board of directors (the “**Board**”) of Technovator International Limited (the “**Company**” or “**Technovator**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, 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 2022

(Expressed in Renminbi (“RMB”))

	Note	2022 RMB'000	2021 RMB'000
Revenue	2, 3	1,738,878	1,619,065
Cost of sales		<u>(1,435,444)</u>	<u>(1,301,576)</u>
Gross profit		303,434	317,489
Other revenue		33,197	38,283
Other net gain/(loss)		11,893	(17,999)
Selling and distribution costs		(81,452)	(103,532)
Administrative and other operating expenses		(133,009)	(143,800)
Impairment loss on trade and other receivables and contract assets		(62,167)	(28,638)
Share of profits or losses of associates		<u>207</u>	<u>(83)</u>
Profit from operations		72,103	61,720
Finance costs	4(a)	<u>(6,687)</u>	<u>(7,361)</u>
Profit before taxation		65,416	54,359
Income tax	5(a)	<u>(9,698)</u>	<u>(8,787)</u>
Profit for the year		<u>55,718</u>	<u>45,572</u>
Profit attributable to:			
Equity shareholders of the company		55,127	45,307
Non-controlling interests		<u>591</u>	<u>265</u>
Profit for the year		<u>55,718</u>	<u>45,572</u>
Earnings per share	6		
– Basic (RMB)		0.0705	0.0579
– Diluted (RMB)		<u>0.0705</u>	<u>0.0579</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year	55,718	45,572
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>3,471</u>	<u>(1,113)</u>
Total comprehensive income for the year	<u>59,189</u>	<u>44,459</u>
Attributable to:		
Equity shareholders of the Company	58,598	44,236
Non-controlling interests	<u>591</u>	<u>223</u>
Total comprehensive income for the year	<u>59,189</u>	<u>44,459</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in Renminbi (“RMB”))

		31 December 2022	31 December 2021
	<i>Note</i>	RMB’000	RMB’000
Non-current assets			
Property, plant and equipment		129,364	135,290
Interests in associates		3,532	3,325
Intangible assets		558,607	533,227
Financial assets measured at amortised cost		410,388	438,973
Deferred tax assets		39,289	33,975
		1,141,180	1,144,790
Current assets			
Inventories		1,191,189	983,040
Contract assets		842,869	803,913
Trade and other receivables	7	1,636,535	1,341,508
Prepayments		123,981	114,927
Cash and cash equivalents		354,040	411,747
		4,148,614	3,655,135
Current liabilities			
Trade and other payables	8	1,924,246	1,577,167
Contract liabilities		107,880	117,700
Loans and borrowings		190,424	99,388
Lease liabilities		926	2,266
Income tax payable		34,892	28,461
		2,258,368	1,824,982
Net current assets		1,890,246	1,830,153
Total assets less current liabilities		3,031,426	2,974,943

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2022**(Expressed in Renminbi (“RMB”))*

	31 December	31 December
	2022	2021
<i>Note</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities		
Deferred tax liabilities	25,683	27,259
Deferred income	7,246	7,887
Lease liabilities	846	220
	<u>33,775</u>	<u>35,366</u>
NET ASSETS	<u>2,997,651</u>	<u>2,939,577</u>
CAPITAL AND RESERVES		
Share capital	9 1,189,968	1,189,968
Reserves	<u>1,790,357</u>	<u>1,731,759</u>
Total equity attributable to equity shareholders of the Company	2,980,325	2,921,727
Non-controlling interests	<u>17,326</u>	<u>17,850</u>
TOTAL EQUITY	<u>2,997,651</u>	<u>2,939,577</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(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 2022 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 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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

2 REVENUE

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

(a) Disaggregation of revenue

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

	2022 <i>RMB'000</i>	2021 RMB'000
Revenue from smart transportation business	349,528	484,377
Revenue from smart building and complex business	892,492	730,203
Revenue from smart energy business	496,858	404,485
	<u>1,738,878</u>	<u>1,619,065</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 2022 and 2021 is set out below:

	STB		SBB		SEB		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Disaggregated by timing of revenue recognition								
Point in time	12,331	24,188	146,799	144,708	80,799	37,658	239,929	206,554
Over time	337,197	460,189	745,693	585,495	416,059	366,827	1,498,949	1,412,511
Revenue from external customers	349,528	484,377	892,492	730,203	496,858	404,485	1,738,878	1,619,065
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	349,528	484,377	892,492	730,203	496,858	404,485	1,738,878	1,619,065
Reportable segment profit	25,930	39,027	72,227	74,149	98,838	82,908	196,995	196,084
Interest income	2,891	4,117	2,865	4,534	21,876	22,415	27,632	31,066
Impairment loss on trade and other receivables and contract assets	(13,692)	(8,849)	(34,616)	(12,623)	(13,859)	(7,166)	(62,167)	(28,638)
Impairment loss on property, plant and equipment	-	-	-	-	-	-	-	-
Impairment loss on prepayments	(274)	(4,078)	(700)	(6,168)	(815)	(152)	(1,789)	(10,398)

3 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment profit or loss

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit		
Reportable segment profit	196,995	196,084
Depreciation and amortisation	(113,681)	(108,601)
Finance costs	(6,687)	(7,361)
Unallocated head office and corporate expenses	(11,211)	(25,763)
	<u>65,416</u>	<u>54,359</u>

(c) Geographic information

For the year ended 31 December 2022, 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on loans and borrowings	6,630	7,227
Interest on lease liabilities	57	134
	<u>6,687</u>	<u>7,361</u>

(b) Staff costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and other benefits	195,877	204,553
Contributions to defined contribution retirement schemes	19,561	19,435
	<u>215,438</u>	<u>223,988</u>

5 INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for the year	18,004	10,798
(Over)/under-provision in respect of prior years	<u>(1,442)</u>	<u>3,785</u>
	16,562	14,583
Deferred tax		
Origination and reversal of temporary differences	<u>(6,866)</u>	<u>(5,796)</u>
	9,696	8,787

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

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation		65,416	54,359
Expected tax calculated at the respective tax rates	<i>(i)/(ii)</i>	17,242	15,612
Tax effect on non-deductible expenses		1,606	1,554
Effect of tax concession	<i>(iii)</i>	(12,595)	(17,128)
Tax effect of unused tax losses and temporary differences		4,887	4,964
(Over)/under-provision in prior years		<u>(1,442)</u>	<u>3,785</u>
Actual income tax expense		9,698	8,787

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2022 and 2021. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2022 and 2021.

(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 2022 and 2021.

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 2022 and 2021.

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

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

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

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 RMB55,127,000 (2021: RMB45,307,000) and the weighted average number of ordinary shares of 782,192,189 (2021: 782,192,189) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2022	2021
	<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	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u>782,192,189</u>	<u>782,192,189</u>

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2022 and 2021.

7 TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade debtors due from related parties	368,896	173,393
Other trade debtors	1,340,669	1,177,886
Bills receivable	4,303	31,302
Less: Allowance for doubtful debts	<u>(153,860)</u>	<u>(139,978)</u>
	1,560,008	1,242,603
Other receivables		
– amounts due from related parties	3,737	37,391
– amounts due from third parties	81,516	69,919
Less: Allowance for doubtful debts	<u>(8,726)</u>	<u>(8,405)</u>
	<u>1,636,535</u>	<u>1,341,508</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current	<u>1,511,748</u>	<u>1,112,374</u>
Less than 1 month past due	5,842	6,296
More than 1 month but less than 3 months past due	6,538	50,380
More than 3 months but less than 12 months past due	26,811	66,710
More than 12 months past due	<u>9,069</u>	<u>6,843</u>
	<u>48,260</u>	<u>130,229</u>
	<u>1,560,008</u>	<u>1,242,603</u>

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

8 TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and bills payables due to related parties	92,939	116,661
Other trade and bills payables	<u>1,593,442</u>	<u>1,228,427</u>
	1,686,381	1,345,088
Other payables and accruals		
– amounts due to related parties	7,994	12,003
– amounts due to third parties	<u>229,871</u>	<u>220,076</u>
Financial liabilities measured at amortised cost	<u>1,924,246</u>	<u>1,577,167</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
By date of invoice:		
Within 3 months	1,202,994	906,468
More than 3 months but within 6 months	65,283	61,722
More than 6 months but within 12 months	90,892	86,348
More than 12 months	<u>327,232</u>	<u>290,550</u>
	<u>1,686,381</u>	<u>1,345,088</u>

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 2022 and 2021.

(b) Share capital

	2022		2021	
	<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	<u>782,192,189</u>	<u>1,189,968</u>	<u>782,192,189</u>	<u>1,189,968</u>

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 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

General

In 2022, the influence of COVID-19 pandemic continued, and the recovery of domestic economy remained fragile. The pressures resulted from demand contraction, supply shock and expectation of downtrend must not be overlooked. In the face of multiple challenges, the Group continued to strengthen investments in research and development in key areas with the view of constantly forming new business growth points. The Group recorded a net revenue of approximately RMB1,738.9 million for the full year, representing a year-on-year increase of 7.4%. Meanwhile, by strengthening its refined management and improving its quality and efficiency, the Group recorded a net profit of approximately RMB55.7 million for the full year, representing a year-on-year increase of 22.2%.

BUSINESS REVIEW

Smart Transportation Business

In 2022, the revenue of the smart transportation business declined as a result of frequent outbreak of pandemic across the country. As benefited from the all-round improvement in management and driven by innovative technology and solutions, the number of bid-winning comprehensive monitoring projects ranked first in the industry.

We actively innovated based on the carbon peaking and carbon neutrality goals, and continued to lead the green development of rail transits. The self-developed metro energy management system has been successively applied to the Second Phase of Chongqing Metro Line 10 (重慶地鐵10號綫二期) and Xi'an Metro Line 10 (西安地鐵10號綫) projects. The self-developed metro energy-saving expert control system is applied to a typical station of Hangzhou Line 10 (杭州10號綫), providing 24-hour on-site "expert" service for the ventilation and air-conditioning system with the intelligent control based on machine learning algorithms to achieve energy-saving operation of the ventilation and air-conditioning system.

The self-developed smart station integrated operation and management platform has been improved, and it has once again won the bidding of all stations of the Xi'an Metro Line 16 (西安地鐵16號綫) after the successful application to Chongqing and Suzhou Rail Transits. The self-developed Yizhong Rail Transit Integrated Monitoring System (易眾軌道交通綜合監控系統) was applied to Suzhou Rail Transit Line 11 (S1 Line) (蘇州市軌道交通11號綫(S1綫)), a fully automatic operation line on GoA4 level. The self-developed platform door system, including door operator, door control system, operation and maintenance system, etc., has been applied to the Zhengzhou Metro Line 6 (鄭州地鐵6號綫) and Zhengzhou Airport-Xuchang Line (鄭州機場至許昌綫) projects.

During the period, the first section of Hangzhou Metro Line 10 (杭州地鐵10號綫首通段), Wuhan Rail Transit Qianchuan Line (武漢軌道交通前川綫), the Second Phase of Chongqing Rail Transit Line 10 (重慶軌道交通10號綫2期), Jinyi East Rail Transit Jinyi Line (金義東軌道交通金義綫) and the first section of Yidong Line (義東綫首通段) were successfully delivered and put into operation.

Smart Building and Complex Business

Leveraging on self-innovation and seizing the development opportunities of new infrastructure and urban renewal, the market contracted amount witnessed a notable increase, and the overall operation situation has improved significantly compared to the previous year.

We successfully completed the technical support for the smart building system of the National Stadium for the opening and closing ceremonies of the 2022 Winter Olympics as well as relevant scientific research projects. We created the first energy IoT technology based on 5G slicing edge cloud, which adopts self-developed swarm intelligent dynamic source-network-load matching technology and AIOT-based equipment monitoring, diagnosis and early warning technology, to build the world's first 5G-AIOT cultural stadium in the National Stadium (commonly known as “**Bird's Nest**”), and has received certificates of appreciation and high recognition from the Winter Olympics Organizing Committee, the Ministry of Science and Technology, and the client.

IoT controller Techcon Neosys and energy management system Techcon EAS were successfully applied to the Xinshuo Railway Hohhot City Production Command Center Project, improving the digital operation and maintenance management level of the infrastructure of the command center, helping the National Energy Group to enhance the combined shipping capacity, improve transportation efficiency, and accelerate the digital transformation process. During the Reporting Period, IoT controller Techcon Neosys has also successively served key projects in the industry, such as Beijing Huairou Science City, Fudan University Shanghai Cancer Center, and Guangzhou Children's Activities Center.

We have created a smart hospital green solution for Beijing GoBroad Hospital, built a smart hospital management system based on the Kunlun Platform, deeply connected with the medical information system, realized the integration of hospital intelligent operation and maintenance and medical information, which facilitated the hospital to achieve the goal of refined and low-carbon operation and maintenance management and optimize the medical treatment process, providing a more secure, comfortable and energy-saving medical treatment environment for doctors, patients and management personnel.

Smart Energy Business

With our innovation in technology, smart energy business achieved energy saving and efficiency improvement in multiple aspects. Meanwhile, comprehensive smart energy services has also made gratifying breakthroughs.

For high energy consuming industrial scenarios, industrial residual heat and waste heat were recycled through electric heat pumps for heating in complex, steam supply and other processes. We successfully developed ultra-high temperature heat pump equipment, which was popularized in response to the demand of light industrial steam, opening up a huge space for industrial steam coal-fired alternatives. Currently, it has been implemented in Wuliangye factory with the energy saving rate during actual operation of over 50%.

In the face of fierce competition in the field of intelligent heating and the diversified demands of heating companies of different scales, we have created lightweight smart heating platform products, which reshaped the original service process, shortened the project duration and improved the service efficiency with the efficient model of “factory + site”. Such products were successfully applied to Baoding Datang Heating Project.

We put continuous efforts on iteration and innovation of long-distance heating, and successfully developed an expert control system for the Huaneng Jiutai long-distance project. Based on the geographic information system, we have carried out three-dimensional modeling for heat sources, long-distance pipelines and heat exchange stations, and applied digital twin technology to realize situational awareness and failure analysis to ensure optimal operation of long-distance heating systems.

Beijing Mudanyuan Station successfully applied the next-generation subway station environmental control system solution with “magnetic levitation direct expansion air-conditioning units + swarm intelligence control” as the core. The ventilation and air-conditioning system energy efficiency was above 5.0 for the full year, and the application effect has reached the industry-leading level.

Aiming at the development opportunities of the new energy industry and the construction demand of low-carbon complex, we have created a “new energy + zero-carbon complex” solution. Leveraging on superior energy management technology, combined with comprehensive energy technologies such as photovoltaic, energy storage, direct current and flexibility, and multi-energy storage, we established a flexible energy Internet for low-carbon complex, and successfully signed contracts with Xinhua Power Generation Kashi Zero-Carbon Smart Complex and Hunan Lengshuijiang Comprehensive Smart Energy Project.

We have taken the advantages of integrated innovation, and applied the integrated equipment of energy storage power stations to the Huadian Lingwu Energy Storage Project, exploring new applications in the field of “new energy + energy storage equipment” and accelerating its entry into the fast-growing strategic market.

Outlook

Currently, the rapid recovery of China’s economy has demonstrated strong resilience, and the release of domestic demand potential has been accelerated, giving a shot in the arm for the Group’s rapid recovery from troughs and the path to development of higher quality. In the future, Technovator will continue to focus on two main business lines of “intelligence and energy saving”, adhere to self-innovation, continuously create new development momentum, and explore new industrial markets. Meanwhile, Technovator will innovate business models, expand light-asset management; promote optimization and upgrading of organizational structure, continue to strengthen management, and constantly improve service quality and efficiency. We believe that with the unremitting efforts of all employees, Technovator will usher in a new development culmination.

FINANCIAL REVIEW

Revenue

In 2022, with the progress of the national industrial structure transformation and upgrading, and supported by the two main lines of “intelligence and energy saving” combined with digitalization, Technovator has been striving to innovate in the pursuit of development with unwavering determination. While the business of the Group promoted steadily, stable growth in revenue was achieved with a net revenue of approximately RMB1,738.9 million for the full year, representing a year-on-year increase of 7.4%. For the smart building and complex business, the Group made every effort to ensure the completion of projects of the Science and Technology Winter Olympics series on schedule and actively promoted digital transformation. By enhancing the self-innovative capabilities, the revenue of the segment achieved a year-on-year increase; the smart energy business cultivated deeply around the “comprehensive smart energy services”, promoting the implementation of projects and satisfying the diverse demands of customers, thereby achieving increase in revenue compared with last year. However, the effect brought by persistent pandemic on the reduction of the numbers of the tender and bid projects of smart transportation business during the previous period continued to be released, resulting in a year-on-year decrease in revenue for the full year.

Revenue by business segments

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

	2022		2021		Comparison
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	
Smart transportation	349,528	20.1%	484,377	29.9%	-27.8%
Smart building and complex	892,492	51.3%	730,203	45.2%	22.2%
Smart energy	496,858	28.6%	404,485	24.9%	22.8%
Total	<u>1,738,878</u>	<u>100%</u>	<u>1,619,065</u>	<u>100%</u>	<u>7.4%</u>

Smart transportation

The revenue from the smart transportation business decreased by 27.8% from approximately RMB484.4 million in 2021 to approximately RMB349.5 million in 2022. The effect brought by the COVID-19 pandemic on the reduction of the numbers of the tender and bid projects of smart transportation business during the previous period continued to be released and the implementation of the business of the segment faced immense pressure. In response to the negative effects, the Group actively promoted the technological innovation and products upgrade. The implementations of projects such as the First Phase of Xi'an Metro Line 16 (西安地鐵16號綫一期), the Second Phase of Chongqing Rail Transit Line 10 (重慶軌道交通10號綫二期), and the northern extension of Wuhan Rail Transit Line 7 (Qianchuan Line) (武漢市軌道交通7號綫北延綫(前川綫)) have made contribution to the revenue of the segment. The newly signed project of the Second Phase of Xuzhou Rail Transit Line 3 (徐州市軌道交通3號綫二期) facilitated the smart upgrade of the whole line operation. The signing and promotion of the Gate of the Orient of Suzhou Rail Transit (蘇州市軌道交通東方之門) marked the open-up of the whole process service in smart stations.

Smart building and complex

Revenue from the smart building and complex business increased by 22.2% from approximately RMB730.2 million in 2021 to approximately RMB892.5 million in 2022. During this year, the Group articulated core businesses such as intelligentization, data center, and smart healthcare business around the building and complex business, and signed and implemented projects such as the Phase II of Dongsheng Science and Technology Park of Zhongguancun (中關村東升科技園二期), the data center of Beijing Daoxianghu Science and Innovation Park of the Agricultural Bank of China (農行北京稻香湖科創園數據中心), and Beijing Gobroad Hospital (北京高博醫院), which set the industrial representative cases and laid solid foundation for the revenue growth for the segment. During the period, the smooth progress of the supporting project of computer building of the Second Step of the First Phase of the Data Center of China Mobile (Shantou, Guangdong) (中國移動(廣東汕頭)數據中心一期二階段機樓配套工程), the comprehensive tunnel project of the municipal transportation supporting project of the Airport Economic Zone of New Beijing Airport (北京新機場臨空經濟區市政交通配套工程綜合管廊項目) as well as the Project for Renovation of the Water Cube into the Curling Stadium for the Winter Olympics (水立方冬奧會冰壺館改造項目) has injected strong impetus to the revenue growth of the segment.

Smart energy

The smart energy business achieved a revenue of approximately RMB496.9 million in 2022, representing an increase of approximately 22.8% as compared to approximately RMB404.5 million in 2021. During the year, the project of the cooling and heating station of Xibeiwang Town of Haidian District, the improvement project of heating capacity of clean energy of the 12th Division as well as the Centralized Heating System Project of the Shanyin County were implemented and settled as scheduled, driving the revenue growth of the segment. In addition, with the proven history of cooperation and extensive industrial experience, the Group established new cooperative relationships with existing clients including Xinjiang Tianfu, Taiyuan Heating and Suihua Zhongmeng, and signed new projects such as comprehensive energy efficiency improvement project of Xinjiang Tianfu, 2022 Taiyuan Absorption Heat

Exchange Unit for the Centralized Heating System Project (2022年太原市集中供熱工程吸收式換熱機組項目) and Smart Heating Construction Project of Suihua Zhongmeng, further solidifying the Group's position in the field of comprehensive smart energy services and driving the revenue growth of the segment.

Cost of sales

The Group's cost of sales increased by approximately 10.3% from approximately RMB1,301.6 million in 2021 to approximately RMB1,435.4 million in 2022. The increase in cost of sales was mainly due to the increase in revenue.

Gross profit

Gross profit decreased by 4.4% from approximately RMB317.5 million in 2021 to approximately RMB303.4 million in 2022. Gross profit margin decreased by approximately 2.2 percentage points from 19.6% of last year to approximately 17.4% of this year. The gross profit margin of each business segment decreased to various extents, which was mainly due to the influence of persistent pandemic, the intensified market competition, the shrinking profit margins, as well as the rising costs of transportation, material and sub-contracting in the pandemic.

Other revenue

In 2022, the Group recorded other revenue of approximately RMB33.2 million, representing a decrease of approximately 13.1% as compared to approximately RMB38.2 million of 2021. The decrease was mainly attributable to the decrease in interest income for EMC projects under sharing periods for the year.

Other net gain/loss

In 2022, the Group recorded other gain of approximately RMB11.9 million, representing a significant change from the net loss of approximately RMB18.0 million for 2021. The receipt of final consideration settlement incurred from the disposal of subsidiaries in the previous period in last year caused a substantial loss. Such non-recurring event was absent this year. In addition, the Group had exchange gains due to the appreciation of the foreign currencies held by it, the combined effect resulted in the realization of other net gain this year.

Selling and distribution costs

Selling and distribution costs in 2022 amounted to approximately RMB81.5 million, representing a decrease of approximately 21.3% as compared to that of 2021. Selling and distribution costs accounted for 4.7% (2021: 6.4%) of revenue. The decrease was mainly attributable to the decrease of the travel expenses and the incentives for sales staff due to the pandemic this year.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 7.5% from approximately RMB143.8 million in 2021 to approximately RMB133.0 million in 2022. The decrease in administrative and other operating expenses was mainly due to the more stringent expense management and control measures adopted by the Group during the pandemic.

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets increased from approximately RMB28.6 million in 2021 to approximately RMB62.2 million in 2022. The increase in impairment losses of trade and other receivables and contract assets was due to the delay of collection of settled items and the extended ageing as influenced by the pandemic.

Finance costs

Finance costs of the Group for 2022 were approximately RMB6.7 million, representing a decrease as compared to last year, which was due to the Group's arrangement of bank loan financing and repayment based on its overall capital needs to optimize its credit structure.

Income tax

Income tax increased by 10.2% from approximately RMB8.8 million in 2021 to approximately RMB9.7 million in 2022. The effective tax rate was approximately 14.8%, representing a decrease of approximately 1.4 percentage points from 2021.

Profit for the period

Profit for the period increased by 22.1% from approximately RMB45.6 million in 2021 to approximately RMB55.7 million for the year. Net profit margin increased by 0.4 percentage point from 2.8% in 2021 to approximately 3.2% for the year.

The basic earnings per share from continuing operations of the Group increased by 21.8 percentage points year-on-year to RMB0.0705 (2021: RMB0.0579). The diluted earnings per share increased by 21.8 percentage points to RMB0.0705 (2021: RMB0.0579).

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 2022 RMB'000	As at 31 December 2021 RMB'000
Inventories	1,191,189	983,040
Trade and other receivables ^(Note 1)	1,760,516	1,456,435
Trade and other payables	1,924,246	1,577,167
Average inventory turnover days	228	227
Average trade receivables turnover days ^(Note 2)	269	262
Average trade payables turnover days ^(Note 2)	360	351

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

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

The Group's inventories increased from approximately RMB983.0 million as at 31 December 2021 to approximately RMB1,191.2 million as at 31 December 2022. The inventory turnover days were generally on a par with last year. The inventory scale recorded a year-on-year increase, mainly because the Group increased stocking to accelerate project progress due to the relaxation and optimization of the epidemic prevention and control policy at the end of this year.

The Group's trade and other receivables amounted to approximately RMB1,760.5 million as at 31 December 2022, representing an increase as compared to approximately RMB1,456.4 million as at 31 December 2021. The average trade receivables turnover days were 269 days, representing a slight increase as compared to 262 days in 2021. The average collection pace of projects has slowed down as influenced by the pandemic, which was the main factor resulting in the increase in scale and turnover days of trade and other receivables.

The Group's trade and other payables amounted to approximately RMB1,924.2 million as at 31 December 2022, which increased significantly as compared to approximately RMB1,577.2 million as at 31 December 2021. The Group's average trade payables turnover days was approximately 360 days, representing an increase as compared to 2021. The increase in scale and turnover days of trade and other payables was resulted from the Group's adjustment to the pace of payment taking into account the progress of the projects and the credit terms of its upstream and downstream partners.

Liquidity and financial resources

In 2022, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB354.0 million, which accounted for 11.8% of the Group's net assets (31 December 2021: cash and cash equivalents of approximately RMB411.7 million).

As at 31 December 2022, the Group's indebtedness consisted of short-term bank loans of approximately RMB190.4 million with an average interest rate of 3.9% (2021: 4.0%) per annum. The capital requirement increased due to the slowdown of collection of receivables in this year as well as to meet the demands of inventory stocks at the end of the year, resulting in an increase in the outstanding bank loans as compared with last year.

As at 31 December 2022, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB and certain amounts in USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 31 December 2022, the net cash of the Group was approximately RMB163.6 million (31 December 2021: net cash of approximately RMB312.4 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 3.6% (2021: approximately 2.1%).

Pledge of assets

As at 31 December 2022, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

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

Employee, training and development

As at 31 December 2022, the Group had a total of 779 employees compared to 812 employees as at 31 December 2021. Total staff costs decreased from approximately RMB224.0 million in 2021 to approximately RMB215.4 million in 2022.

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

Significant investments

For the year ended 31 December 2022, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2022, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), except for deviation from C.5.1 of the Corporate Governance Code as disclosed below.

C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the year, although only two regular Board meetings were held for approving the Group’s interim financial performance and annual financial performance which required the Board’s decision, the Directors had frequent communication with each other during the year to discuss the overall operation and strategy of the Group, and actively exchanged their views on the performance of the Group. As such, the Directors are considered to be provided in a timely manner with appropriate information to make informed decisions and perform their duties and responsibilities.

B.2.4(b) of the Corporate Governance Code stipulates that where all the independent non-executive Directors have served more than nine years on the Board, a new independent non-executive Director should be appointed at the forthcoming annual general meeting (with effect from the financial year commencing on or after 1 January 2023). As at 31 December 2022 and up to date of this announcement, all the independent non-executive Directors have served more than 11 years on the Board. The Company will use its best effort to comply with the relevant requirements.

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

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2022 as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

DIVIDENDS

During 2022, the Company has not declared any dividend in respect of the financial year ended 31 December 2021. The Board does not recommend any final dividend for the year ended 31 December 2022.

BOOK CLOSURE

In order to determine the entitlement to attend and vote at the annual general meeting (“AGM”), the transfer books and register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, 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 Friday, 16 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023.

AGM

The AGM of the Company will be held in Hong Kong on Friday, 16 June 2023. 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 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

AUDIT COMMITTEE

The Group’s audited consolidated results for the year ended 31 December 2022 have been reviewed by the audit committee of the Company, who are of the opinion that the annual results comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

By order of the Board
Technovator International Limited
Qin Xuzhong
Chairman

Beijing, 23 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Xiaobo and Mr. Qin Xuzhong; the non-executive directors of the Company are Mr. Liang Wuquan, Mr. Zeng Xuejie and Mr. Zhang Jian; and the independent non-executive directors of the Company are Ms. Chen Hua, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony.