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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)

2023 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 2023 (“**1H2023**”), together with the comparative figures for the corresponding period in 2022 (“**1H2022**”). 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 1H2023 have been reviewed by the Company’s external auditor.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB’000	RMB’000
Revenue	3, 4	561,965	625,081
Cost of sales		<u>(457,857)</u>	<u>(516,771)</u>
Gross profit		104,108	108,310
Other revenue		12,768	17,556
Other net gain		497	986
Selling and distribution costs		(41,565)	(44,303)
Administrative and other operating expenses		(67,938)	(63,455)
Impairment loss on trade and other receivables and contract assets		(22,079)	(4,436)
Share of loss of associates		<u>(313)</u>	<u>(101)</u>
(Loss)/profit from operations		(14,522)	14,557
Finance costs	5(a)	<u>(3,728)</u>	<u>(2,448)</u>
(Loss)/profit before taxation		(18,250)	12,109
Income tax	6	<u>4,325</u>	<u>(2,397)</u>
(Loss)/profit for the period		<u>(13,925)</u>	<u>9,712</u>
(Loss)/profit attributable to:			
Equity shareholders of the Company		(14,772)	11,690
Non-controlling interests		<u>847</u>	<u>(1,978)</u>
(Loss)/profit for the period		<u>(13,925)</u>	<u>9,712</u>
(Loss)/earnings per share	7		
– Basic (RMB)		(0.0189)	0.0149
– Diluted (RMB)		<u>(0.0189)</u>	<u>0.0149</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi (“RMB”))

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit for the period	(13,925)	9,712
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>1,471</u>	<u>2,499</u>
Total comprehensive income for the period	<u>(12,454)</u>	<u>12,211</u>
Attributable to:		
Equity shareholders of the Company	(13,301)	14,141
Non-controlling interests	<u>847</u>	<u>(1,930)</u>
Total comprehensive income for the period	<u>(12,454)</u>	<u>12,211</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited

(Expressed in Renminbi (“RMB”))

		At 30 June 2023	At 31 December 2022
	<i>Note</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets			
Property, plant and equipment		122,253	129,364
Interests in associates		3,219	3,532
Intangible assets		569,840	558,607
Financial assets measured at amortised cost		456,582	410,388
Deferred tax assets		43,345	39,289
		<u>1,195,239</u>	<u>1,141,180</u>
Current assets			
Inventories		1,292,256	1,191,189
Contract assets		947,895	842,869
Trade and other receivables	8	1,524,803	1,636,535
Prepayments		161,238	123,981
Cash and cash equivalents		115,936	354,040
		<u>4,042,128</u>	<u>4,148,614</u>
Current liabilities			
Trade and other payables	9	1,852,069	1,924,246
Contract liabilities		130,437	107,880
Loans and borrowings		210,666	190,424
Lease liabilities		2,142	926
Income tax payable		26,920	34,892
		<u>2,222,234</u>	<u>2,258,368</u>
Net current assets		<u>1,819,894</u>	<u>1,890,246</u>
Total assets less current liabilities		<u>3,015,133</u>	<u>3,031,426</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2023 – unaudited**(Expressed in Renminbi (“RMB”))*

		At 30 June 2023 <i>RMB’000</i>	At 31 December 2022 <i>RMB’000</i>
Non-current liabilities			
Lease liabilities		1,362	846
Deferred tax liabilities		21,516	25,683
Deferred income		7,058	7,246
		<u>29,936</u>	<u>33,775</u>
NET ASSETS		<u>2,985,197</u>	<u>2,997,651</u>
CAPITAL AND RESERVES			
Share capital	<i>10</i>	1,189,968	1,189,968
Reserves		1,777,056	1,790,357
Total equity attributable to equity shareholders of the Company		<u>2,967,024</u>	<u>2,980,325</u>
Non-controlling interests		<u>18,173</u>	<u>17,326</u>
TOTAL EQUITY		<u>2,985,197</u>	<u>2,997,651</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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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	
	2023	2022
	RMB'000	RMB'000
Revenue from smart transportation business	176,461	114,336
Revenue from smart building and complex business	234,015	360,489
Revenue from smart energy business	151,489	150,256
	<u>561,965</u>	<u>625,081</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 2023 and 2022 are set out below:

For the six months ended	STB		SBB		SEB		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000							
Disaggregated by timing of revenue recognition								
Point in time	8,461	8,053	66,996	59,042	16,078	12,243	91,535	79,338
Over time	168,000	106,283	167,019	301,447	135,411	138,013	470,430	545,743
Revenue from external customers	176,461	114,336	234,015	360,489	151,489	150,256	561,965	625,081
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	176,461	114,336	234,015	360,489	151,489	150,256	561,965	625,081
Reportable segment profit	16,934	7,614	17,765	37,607	13,195	30,059	47,894	75,280
Interest income	1,269	1,622	891	1,591	8,895	11,105	11,055	14,318
Impairment (losses)/reversal	(5,492)	162	(6,005)	1,666	(10,583)	(6,264)	(22,079)	(4,436)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit		
Reportable segment profit	47,894	75,280
Depreciation and amortisation	(55,949)	(55,800)
Finance costs	(3,728)	(2,448)
Unallocated head office and corporate expenses	(6,467)	(4,923)
	<u> </u>	<u> </u>
Consolidated (loss)/profit before taxation	<u>(18,250)</u>	<u>12,109</u>

(c) **Geographic information**

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

5 **(LOSS)/PROFIT BEFORE TAXATION**

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(a) Finance costs		
Interest on loans and borrowings	3,662	2,408
Interest on lease liabilities	66	40
	<u> </u>	<u> </u>
	<u>3,728</u>	<u>2,448</u>
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(b) Other items		
Amortisation*	40,441	34,625
Depreciation		
– owned property, plant and equipment	14,500	20,087
– right-of-use assets	1,008	1,088
Interest income	(11,055)	(14,318)
	<u> </u>	<u> </u>

* Including research and development expenditure RMB13,641,000 (six months ended 30 June 2022: RMB9,368,000) recognised as an expense during the six months ended 30 June 2023.

6 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax	3,898	7,779
Deferred tax	(8,223)	(5,382)
	<u>(4,325)</u>	<u>2,397</u>

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2023 and 2022. 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 2023 and 2022.

(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 2025.

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

7 (LOSS)/EARNINGS PER SHARE

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

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB14,772,000 (six months ended 30 June 2022: profit of RMB11,690,000) and the weighted average of 782,192,189 ordinary shares (2022: 782,192,189 shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022.

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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Current	1,415,786	1,511,748
Less than 1 month past due	7,872	5,842
More than 1 month but less than 3 months past due	9,980	6,538
More than 3 months but less than 12 months past due	26,555	26,811
More than 12 months past due	5,880	9,069
	<hr/>	<hr/>
Trade debtors and bills receivable, net of allowance for doubtful debts	1,466,073	1,560,008
	<hr/>	<hr/>
Other receivables	58,730	76,527
	<hr/>	<hr/>
	1,524,803	1,636,535
	<hr/>	<hr/>

The Group generally requires customers to settle progress billings and retentions receivable in accordance with contracted terms.

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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
By date of invoice:		
Within 3 months	1,026,123	1,202,994
More than 3 months but within 6 months	8,123	65,283
More than 6 months but within 12 months	176,194	90,872
More than 12 months	411,359	327,232
	<hr/>	<hr/>
Total creditors and bills payable	1,621,799	1,686,381
	<hr/>	<hr/>
Other payables and accruals	230,270	237,865
	<hr/>	<hr/>
	1,852,069	1,924,246
	<hr/>	<hr/>

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2023		At 31 December 2022	
	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 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 1H2023, impacts of the market continued as the capital in the infrastructure market generally became scarcer. The slowdown in investments in the target market, the further prolonged project implementation and payment cycle, which affected by the factors such as the slowdown in economic growth in recent years, led to the decrease in revenue of the Group, and the increase in provisions for impairment of receivables during the period resulted in a significant decline in overall profit. The Group recorded revenue of approximately RMB562.0 million for the first half of the year, representing a year-on-year decrease of 10.1% and recorded the loss of approximately RMB13.9 million. The Group will intensify the collection of receivables and accelerate the return of funds to minimise the impact on profits in the second half of the year.

BUSINESS REVIEW

Smart Transportation Business

In terms of the smart transportation business, we seized the opportunity of the rail transit industry's rapid recovery in 1H2023 and accelerated the implementation of projects under construction and achieved steady growth in revenue during the period. Meanwhile, our cost and expense control measures were strengthened during the period, with a significant improvement in the profit margin.

Suzhou Rail Transit Line 11 Project (蘇州軌道交通11號綫工程), a demonstration project of infrastructure integration and interconnection in the Yangtze River Delta, and the First Phase Project of Xi'an Metro Line 16 (西安地鐵16號綫一期工程), the first fully automatic driverless metro line in the northwest China built by the Group, have been officially put into trial operation. They have successfully applied the Group's proprietary software system, ezISCS-SOM, to create an intelligent and comprehensive operation and management platform for the stations along the entire line, enabling intelligent equipment operation, autonomous passenger services and precise personnel management and control.

During the period, the Group signed a new contract for Integrated Supervision and Control System (ISCS) Project of Suzhou Rail Transit Line 7 (蘇州市軌道交通7號綫綜合監控系統項目), pursuant to which the station system of Line 4 will be disassembled to connect to the ISCS of Line 7 while ensuring the normal operation of the existing rail transit Line 4. With rich technical experience accumulated in the field of ISCS for years, the Group tailored overall solutions for owners to solve difficulties in the disassembly, renovation and connection between the existing lines and new lines, so as to improve the efficiency of rail network connectivity. The Group will continue to enhance its technological innovation capability to accelerate the transformation of technological achievements, and promote the construction of green and intelligent urban railways with more intelligent applications.

Smart Building and Complex Business

In terms of the smart building and complex business, revenue decreased in the first half of this year as compared to the same period last year due to delays in the investment of projects as a result of the market downturn, coupled with a higher amount of revenue settlement from the completion of key projects undertaken by the Group (such as the Winter Olympics) in the same period last year. The profit margin further decreased due to an increase in the amount of credit impairment losses as a result of the prolonged project payment collection cycle.

During the period, Dongsheng Science and Technology Park of Zhongguancun Project (中關村東升科技園項目), a key project undertaken by the Group in Beijing, had reached an important stage of completion and transfer. The project focused on promoting an “intelligent, green and integrated” park to empower high-precision technology enterprises, and building a people-centred, green and highly efficient intelligent park to create a “miniature” urban eco-park.

During the period, smart building and complex business continued to actively explore the field of smart hospital. Following the application of the self-developed Techcon IBS5.0 building intelligent integration software at Beijing GoBroad Hospital, the Neosys IoT controller was also successfully applied at Wuhan Jinyintan Hospital, which enabled the medical facilities used in ordinary and pandemic situations to have more flexible, powerful and faster service mode with switching capabilities by breaking through the barriers between intelligence and informatisation, thus promoting the digital transformation of hospital management and improving the hospital’s operational efficiency.

Smart Energy Business

The smart energy business continued to consolidate its strengths in the areas such as intelligent heating and waste heat utilization, with the revenue generated from the intelligent central heating project and the energy management contracting project remaining stable. The profit margin declined during the period due to factors such as the rising energy prices.

During the period, the Group signed a series of contracts for the Taiyuan Centralized Heating System Project (太原市集中供熱工程) to continue the sales and services of heating network informatization, automation project and large temperature difference heat exchange unit, and laid a good foundation to continuously lead the development of the heating industry in the future based on the large-scale “One City, One Pipeline Network” centralized heating business.

Meanwhile, the Group won the bid for the energy station project for the Collective Industrial Land of Parcel X2 in Xibeiwang Town, Haidian District, Beijing (北京市海淀區西北旺鎮X2地塊集體產業用地能源站項目), and conducted business cooperation with Xibeiwang Town Cooperative Economic Union for the second time, which further consolidated the Group’s exploration and development in the field of energy escrow, accumulated experience in the construction of high-efficiency energy stations and intelligent energy systems, and played a demonstrative role in further enhancing the market competitiveness of the smart energy business and the brand influence.

The Group will continue to seize the development opportunity of building a new energy system, capitalize on its strengths in intelligence and energy management, and actively expand its zero-carbon complex business, providing cities with comprehensive solutions for low-carbon and zero-carbon transformation under the carbon peaking and carbon neutrality goals.

OUTLOOK

In 1H2023, the Group continued to be challenged by factors such as the macroeconomic and market environment. However, the accelerated pace of energy conservation and emission reduction driven by the carbon peaking and carbon neutrality policy and the high potential of the comprehensive energy management market provided opportunities for the Group's development.

Technovator will adhere to its original aspiration and continue to make great efforts in the areas of "intelligence and energy saving". It will focus on technological innovation, market expansion and customer service, seize the opportunities of the rapid development of the new energy industry to accelerate the expansion of zero-carbon and low-carbon innovative businesses, and vigorously develop cutting-edge technologies to promote the Group's industry optimization and upgrade and facilitate the high-quality development of the Group's businesses.

BUSINESS REVIEW – CONTINUING OPERATIONS

Revenue

In 1H2023, against the backdrop of a weaker-than-expected endogenous recovery of the domestic economy, the Group focused on promoting steady development of its business in a market environment that had not yet returned to normal. The Group recorded a net revenue of RMB562.0 million for the first half of the year, representing a year-on-year decline of 10.1%. During the first half of the year, smart transportation business entered a period of resumption and acceleration of work, with accelerated construction progress of projects and significant year-on-year growth in revenue. For the smart building and complex business, affected by the decline in infrastructure expenditures, coupled with the settlement of a number of major projects in the corresponding period last year, the segment recorded a considerable decline in revenue for the period. For smart energy business, there's no significant fluctuation in revenue for this segment as compared to the corresponding period last year due to continuing safeguard for livelihood projects in various regions and stable operation of Energy Management Contract (EMC) projects.

Revenue by business segments

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

	Six months ended 30 June				Comparison
	2023	% of	2022	% of	
	Revenue (RMB'000)	revenue	Revenue (RMB'000)	revenue	
Smart transportation	176,461	31%	114,336	18%	54.3%
Smart building and complex	234,015	42%	360,489	58%	-35.1%
Smart energy	151,489	27%	150,256	24%	0.8%
Total	561,965	100%	625,081	100%	-10.1%

Smart transportation

The revenue generated from the smart transportation business increased by 54.3% from approximately RMB114.3 million for 1H2022 to approximately RMB176.5 million. The business of this segment has gradually recovered with favourable growth momentum in the first half of the year, with a significant increase in revenue. During the period, the Group strengthened the deployment of various resources, made every effort to ensure the progress of construction, and actively promoted the implementations of major projects such as Changchun Urban Rail Transit Line 6 (長春城市軌道交通6號綫), Zhengzhou Rail Transit Line 6 (鄭州市軌道交通6號綫), Wuhan Rail Transit Line 5 (武漢軌道交通5號綫), Suzhou Rail Transit Line S1 (蘇州市軌道交通S1綫), and Line 8, Line 10 and the first phase of Line 15 for Xi'an Metro (西安市地鐵8號綫、10號綫、15號綫一期), which contributed major revenue to the segment. Meanwhile, newly-contracted projects such as Shenyang Metro Line Network Command Center System (瀋陽地鐵綫網指揮中心系統) and Platform Doors for the First Phase of Zhengzhou Rail Transit Line 6 (鄭州市軌道交通6號綫一期站台門) were commenced and implemented during the period and achieved certain progress, further increasing segment revenue.

Smart Building and Complex

The smart building and complex business recorded a revenue of approximately RMB234.0 million for 1H2023, representing a decrease of 35.1% from approximately RMB360.5 million for 1H2022. The downturn in the infrastructure market, coupled with the impact of the large amount of income recorded for a series of key projects undertaken by the Group in the corresponding period last year, contributed to a significant decline in segment revenue. During the period, the Group focused on advancing the progress of key projects such as the Intelligent Engineering for Beijing GoBroad Hospital (北京高博醫院項目智能化工程), Phase II of Dongsheng Science and Technology Park of Zhongguancun (中關村東升科技園二期) and Phase II of Zhuhai Dong'ao Island Lingding Coast (珠海東澳玲瓏海岸二期), continuing to generate revenue for the segment. The Group signed new contracts for projects such as the Collective Industrial Land at Parcel X2, Xibeiwang, Haidian District (海澱區西北旺X2地塊集體產業用地) and the Smart Campus Project for Harbin Medical University (Daqing) (哈爾濱醫科大學大慶分校智慧校園), and made progress during the period to record revenue.

Smart Energy

The smart energy business recorded a revenue of approximately RMB151.5 million for 1H2023, representing an increase of approximately 0.8% from approximately RMB150.3 million for the corresponding period last year, essentially unchanged as compared to the corresponding period last year. During the period, the Group continued to promote the progress of intelligent heating projects such as Guoneng Jilin Jiangnan Heat Network Demonstration Application Project (國能吉林江南熱網示範運用), Datang Baoding Intelligent Heating Management and Control Integration Project (大唐保定智慧供熱管控一體化) and Henan Zhumadian Centralized Heating Project (河南駐馬店集中供暖), and recorded settlement revenue during the period. Meanwhile, in respect to the Group's innovative scenario-based solution business for "new energy + zero-carbon complex", Xinhua Power Generation Kashgar Zero-carbon Complex Project (新華發電喀什零碳智能園區項目) progressed smoothly and contributed new business revenue to the segment. During the period, the implementation of the key EMC projects Xinjiang Tianfu and Shenmu Intelligent Heat Network Project (神木市智慧熱網工程) progressed smoothly, which continued to generate high revenue for the segment and solidified the Group's dominant position in the field of EMC.

Cost of sales

The Group's cost of sales decreased by approximately 11.4% from approximately RMB516.8 million for 1H2022 to approximately RMB457.9 million for 1H2023, which was mainly attributable to the decrease in revenue.

Gross profit

Gross profit decreased by 3.9% from approximately RMB108.3 million for 1H2022 to approximately RMB104.1 million for 1H2023. Gross profit margin for the period was approximately 18.5%, representing an increase of 1.2 percentage points as compared to the corresponding period last year. The enhancement of cost control during the period was the main factor contributing to the increase in gross profit margin.

Other revenue

Other revenue decreased by approximately 27.3% from approximately RMB17.6 million for 1H2022 to approximately RMB12.8 million for 1H2023. During the period, government grants 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 revenue.

Other gain

In 1H2023, the Group recorded other gain of approximately RMB0.5 million, representing a decrease of 50.0% from other gain of approximately RMB1.0 million for 1H2022, mainly attributable to the decrease in foreign exchange gains and losses, net.

Selling and distribution costs

Selling and distribution costs of the Group for 1H2023 were approximately RMB41.6 million, representing a year-on-year decrease of 6.1% as compared to approximately RMB44.3 million for 1H2022. Selling and distribution costs accounts for 7.4% of the revenue for the period, with no significant change from the corresponding period last year. The decrease was mainly due to the reduced sales staff costs and operating expenses as a result of the Group's optimization of cost management.

Administrative and other operating expenses

Administrative and other operating expenses increased by 6.9% from approximately RMB63.5 million for 1H2022 to approximately RMB67.9 million for 1H2023. The Group increased its investment in research and development, which led to the increase in the research and development expenses.

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets increased significantly from approximately RMB4.4 million for 1H2022 to approximately RMB22.1 million for 1H2023. The collection of payments for the projects delayed and the credit term further extended as influenced by the unstable economic environment. The provision for the impairment losses on trade and other receivables as well as contract assets increased during the period out of the principle of prudence. The Group will strengthen the management of receivables collection and accelerate the return of funds to reduce the relevant impact in the second half of the year.

Finance costs

Finance costs of the Group for 1H2023 were approximately RMB3.7 million, representing a year-on-year increase of 54.2% as compared to approximately RMB2.4 million for 1H2022. It was due to the increase in the Group's loans in support of its operating activities based on its actual capital position and business needs.

Income tax

Income tax decreased from approximately RMB2.4 million in 1H2022 to approximately RMB-4.3 million for the period, mainly attributable to the dual impact of the decreased provision made for income tax expense and the increased deferred income tax expense during the period as a result of the loss recorded in the first half of the year.

(Loss)/Profit for the period

In 1H2023, the Group recorded loss of approximately RMB13.9 million, representing a significant decrease as compared with profit of approximately RMB9.7 million for 1H2022. Net profit margin decreased to approximately -2.5% for the period from 1.6% for the same period last year. The decreases in profit and net profit margin for the period were mainly attributable to the decrease in revenue and increase in impairment losses amount.

The basic and diluted earnings per share from continuing operations of the Group decreased to RMB-0.0189 (1H2022: RMB0.0149).

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 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 30 June 2022 (RMB'000)
Inventories	1,292,256	1,191,189	1,112,162
Trade and other receivables ^(Note 1)	1,686,041	1,760,516	1,523,451
Trade and other payables	1,852,069	1,924,246	1,567,903
Average inventory turnover days	403	228	302
Average trade receivables turnover days ^(Note 2)	433	269	346
Average trade payables turnover days ^(Note 2)	626	360	440

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 8.5% from approximately RMB1,191.2 million as at 31 December 2022 to approximately RMB1,292.3 million as at 30 June 2023. The inventory scale increased as the Group proactively promoted the progress of project implementation and stocked up its inventories in the first half of the year, and the inventory turnover days increased to approximately 403 days as compared to the corresponding period last year.

The Group's trade and other receivables decreased by 4.2% from approximately RMB1,760.5 million as at 31 December 2022 to approximately RMB1,686.0 million as at 30 June 2023. The average trade receivables turnover days increased from 346 days for the corresponding period of last year to 433 days. The prolonged payment time by customers and the delayed project payment collection resulted in the increase in the amount and turnover days of receivables.

The Group's trade and other payables amounted to approximately RMB1,852.1 million as at 30 June 2023, representing a decrease of 3.7% as compared to approximately RMB1,924.2 million as at 31 December 2022. The Group's average trade payables turnover days increased from approximately 440 days in 1H2022 to approximately 626 days in 1H2023. The Group extended the credit terms for its suppliers on an appropriate basis to slow down the pace of payment, and enhanced the cost control to reduce its sales cost during the period, which further increased the turnover days of payables.

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 2023, the Group had cash and cash equivalents of approximately RMB115.9 million, which accounted for 3.9% of the Group's net assets (31 December 2022: cash and cash equivalents of approximately RMB354.0 million).

As at 30 June 2023, the Group's indebtedness consisted of short-term bank loans of approximately RMB210.7 million with an average interest rate of 3.7% per annum. The year-on-year increase in loan balance was due to the consolidation of financial cost and the increase in loan amount based on the Group's business activities and capital requirement.

As at 30 June 2023, 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 were readily convertible into known amounts of cash.

As at 30 June 2023, the net cash liability of the Group was approximately RMB94.8 million (31 December 2022: net cash of approximately RMB163.6 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 4.0% (31 December 2022: approximately 3.6%).

Pledge of assets

As at 30 June 2023, the Group had no pledge of assets.

Contingent liabilities

As at 30 June 2023, 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 service for such entities.

Employee, training and development

As at 30 June 2023, the Group had a total of 791 employees compared to 789 employees as at 30 June 2022. Total staff costs increased from approximately RMB91.6 million in 1H2022 to approximately RMB103.8 million in 1H2023.

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 2023, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2023, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, 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 2023 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 2023.

ISSUE OF SECURITIES

During the six months ended 30 June 2023, 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 2023, 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 2023.

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 2023 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 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 Mr. Chia Yew Boon, Mr. Fan Ren Da Anthony and Ms. Lu Yao.