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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)

2024 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 2024 (“**1H2024**”), together with the comparative figures for the corresponding period in 2023 (“**1H2023**”). 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 1H2024 have been reviewed by the Company’s external auditor.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		RMB’000	RMB’000
Revenue	3, 4	512,572	561,965
Cost of sales		<u>(456,487)</u>	<u>(457,857)</u>
Gross profit		56,085	104,108
Other revenue		13,234	12,768
Other net (loss)/gain		(2,970)	497
Selling and distribution costs		(44,730)	(41,565)
Administrative and other operating expenses		(75,444)	(67,938)
Impairment loss on trade and other receivables and contract assets		(21,269)	(22,079)
Share of loss of an associate		<u>(153)</u>	<u>(313)</u>
Loss from operations		(75,247)	(14,522)
Finance costs	5(a)	<u>(4,042)</u>	<u>(3,728)</u>
Loss before taxation		(79,289)	(18,250)
Income tax	6	<u>7,380</u>	<u>4,325</u>
Loss for the period		<u>(71,909)</u>	<u>(13,925)</u>
Loss attributable to:			
Equity shareholders of the Company		(69,557)	(14,772)
Non-controlling interests		<u>(2,352)</u>	<u>847</u>
Loss for the period		<u>(71,909)</u>	<u>(13,925)</u>
Loss per share	7		
– Basic (RMB)		(0.0889)	(0.0189)
– Diluted (RMB)		<u>(0.0889)</u>	<u>(0.0189)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi (“RMB”))

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Loss for the period	(71,909)	(13,925)
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>82</u>	<u>1,471</u>
Total comprehensive income for the period	<u>(71,827)</u>	<u>(12,454)</u>
Attributable to:		
Equity shareholders of the Company	(69,475)	(13,301)
Non-controlling interests	<u>(2,352)</u>	<u>847</u>
Total comprehensive income for the period	<u>(71,827)</u>	<u>(12,454)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in Renminbi (“RMB”))

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		67,772	81,746
Interests in associates		–	3,596
Intangible assets		576,700	584,638
Financial assets measured at amortised cost		360,424	343,796
Deferred tax assets		49,912	47,750
		<u>1,054,808</u>	<u>1,061,526</u>
Current assets			
Inventories		1,355,869	1,282,681
Contract assets		827,362	976,224
Trade and other receivables	8	1,753,453	1,748,170
Prepayments		117,752	116,407
Bank deposits and cash on hand		111,116	363,318
		<u>4,165,552</u>	<u>4,486,800</u>
Current liabilities			
Trade and other payables	9	1,977,618	2,222,978
Contract liabilities		75,010	73,582
Loans and borrowings		275,318	275,846
Lease liabilities		1,601	1,934
Income tax payable		25,012	35,312
		<u>2,354,559</u>	<u>2,609,652</u>
Net current assets		<u>1,810,993</u>	<u>1,877,148</u>
Total assets less current liabilities		<u>2,865,801</u>	<u>2,938,674</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2024 – unaudited**(Expressed in Renminbi (“RMB”))*

	<i>Note</i>	At 30 June 2024 <i>RMB’000</i>	At 31 December 2023 <i>RMB’000</i>
Non-current liabilities			
Deferred tax liabilities		22,117	22,389
Deferred income		6,931	7,120
Loans and borrowings		9,500	10,000
Lease liabilities		547	632
		<u>39,095</u>	<u>40,141</u>
NET ASSETS		<u>2,826,706</u>	<u>2,898,533</u>
CAPITAL AND RESERVES			
Share capital	<i>10</i>	1,189,968	1,189,968
Reserves		1,620,747	1,690,222
Total equity attributable to equity shareholders of the Company		2,810,715	2,880,190
Non-controlling interests		15,991	18,343
TOTAL EQUITY		<u>2,826,706</u>	<u>2,898,533</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 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from smart transportation business	93,261	176,461
Revenue from smart building and complex business	220,216	234,015
Revenue from smart energy business	199,095	151,489
	<u>512,572</u>	<u>561,965</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 2024 and 2023 are set out below:

For the six months ended	STB		SBB		SEB		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	14,044	8,461	64,278	66,996	14,853	16,078	93,175	91,535
Over time	79,217	168,000	155,938	167,019	184,242	135,411	419,397	470,430
Revenue from external customers	93,261	176,461	220,216	234,015	199,095	151,489	512,572	561,965
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	93,261	176,461	220,216	234,015	199,095	151,489	512,572	561,965
Reportable segment (loss)/profit	(14,156)	16,934	3,312	17,765	5,408	13,195	(5,436)	47,894
Interest income	440	1,269	232	891	10,815	8,895	11,487	11,055
Impairment loss on trade and other receivables and contract assets	(3,603)	(5,492)	(7,911)	(6,005)	(9,755)	(10,583)	(21,269)	(22,079)
Impairment reversals/(loss) on prepayments	333	(794)	786	(781)	(590)	(1,730)	529	(3,305)

6 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax		
– provision for the year	43	4,732
– over-provision in respect of prior years	(4,989)	(834)
Deferred tax	(2,434)	(8,223)
	<u>(7,380)</u>	<u>(4,325)</u>

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2024 and 2023. 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 2024 and 2023.

- (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 2026.

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 (Xiamen) Co., Ltd. (formerly known as 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 PER SHARE

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

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB69,557,000 (six months ended 30 June 2023: loss of RMB14,772,000) and the weighted average of 782,192,189 ordinary shares (2023: 782,192,189 shares) in issue during the interim period.

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2024 and 2023.

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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current	1,595,318	1,618,425
Less than 1 month past due	2,469	5,368
More than 1 month but less than 3 months past due	11,545	6,131
More than 3 months but less than 12 months past due	54,649	25,729
More than 12 months past due	15,883	13,990
	<hr/>	<hr/>
Trade debtors and bills receivable, net of allowance for doubtful debts	1,679,864	1,669,643
	<hr/>	<hr/>
Other receivables	73,589	78,527
	<hr/>	<hr/>
	1,753,453	1,748,170

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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
By date of invoice:		
Within 3 months	1,129,649	1,393,654
More than 3 months but within 6 months	120,900	79,559
More than 6 months but within 12 months	231,094	83,810
More than 12 months	332,766	485,968
	<hr/>	<hr/>
Total creditors and bills payable	1,814,409	2,042,991
	<hr/>	<hr/>
Other payables and accruals	163,209	179,987
	<hr/>	<hr/>
	1,977,618	2,222,978

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2024		At 31 December 2023	
	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 2024 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 1H2024, affected by the market environment and adjustments of government investment policies, some investment projects were delayed and the signing and performance of the contracts for related orders were correspondingly postponed to the second half of the year, which led to a downward trend in revenue during the period. In the first half of the year, the Group recorded revenue of approximately RMB512.6 million, representing a decrease of 8.8% year-on-year. Due to the more prudent decision-making in investment in the target markets and the increasingly keener competition in the industry, the Group maintained a lower gross profit margin to secure its market position, resulting in a significant decline in overall profits. Additionally, the Group proactively adjusted its business strategy, increased its marketing efforts, and tapped into new markets and cooperation opportunities, resulting in an increase of the cost of sales, which has affected its net profit to a certain extent. During 1H2024, the Group recorded a loss of approximately RMB71.9 million. In the second half of the year, the Group will endeavour to push forward the progress of the projects under construction and strengthen cost control to realise steady development in future market environment.

BUSINESS REVIEW

Smart Transportation Business

The revenue of the smart transportation business decreased significantly year-on-year as a result of the postponement of tendering process or the commencement of the works by some owners. However, the Group still made certain achievements in the field of smart transportation by virtue of the solid support of its core competitiveness.

During 1H2024, the inspection and acceptance as well as the delivery of Shenyang Metro Network Command Centre Project (瀋陽地鐵綫網指揮中心項目) undertaken by the Group was successfully completed. A self-developed network operation and scheduling system was used for the project to build the “neural centre” and “neural network” of the intelligent rail transit, improving the operation efficiency of the rail transit and the travel experience of passengers.

The major overhaul project of the integrated monitoring system for the first and second phases of Chongqing Rail Transit Line 6 (重慶軌道交通6號綫一、二期) was the second full-line renovation project for Chongqing Rail Transit won by the Group. This project not only involved the replacement of the existing system equipment with new models, but also adopted domestically-developed software platforms to replace imported ones, and thus achieved smart and green functional upgrades, demonstrating the Group’s technical accumulation and efficient execution capabilities in renovation of existing lines, which further consolidated its competitive advantages in the market.

During 1H2024, the Group won the bid for the integrated supervision and control system project for the first phase of Changchun Rail Transit Line 7 (長春市軌道交通7號綫一期), which was the fifth line in Changchun rail transit market that the Group provided services. The Group's winning the bid reflected an esteemed recognition from the market to the Group's technological innovation capability, wealth of experience in project management, and excellent quality of services.

Smart Building and Complex Business

Affected by the government investment control and other factors, the revenue of the smart building and complex business experienced a decline. The Group has stabilised the revenues of this segment through active strategic adjustments and technological innovation strategies.

During 1H2024, the Group undertook the subcontracted works for the low-voltage system for the Renaissance Hotel on Plot L20 of Phase II of Dongsheng Science and Technology Park (東升科技園二期L20地塊萬麗酒店弱電分包工程). The Group meticulously constructed a series of intelligent facilities which ingeniously combined the features of ancient military settlement with state-of-art innovative technology. Among which, the intelligent lighting system could delicately control the elegant lighting in the hotel lobby, and the high-quality conference audio-visual equipment provides strong technical support for all kinds of celebrations and corporate business conferences, bringing a stylish and avant-garde living experience through the combination of functions and art.

Leveraging the cooperation opportunity with Dongsheng Science and Technology Park (東升科技園), the Group continuously tapped into the market potential and provided up-to-date technological office solutions for enterprises in the park, and the Group has won market recognition and favourable comments for its creation of efficient and convenient office environments and provision of high-quality services.

The smart building and complex business continued to expand its market presence in the smart healthcare sector and won the bid for the equipment procurement project for Beijing Tsinghua Changgung Hospital (北京清華長庚醫院) to provide the hospital with Neosys IoT products. This system featured a self-innovated energy-saving algorithm that could accurately analyse the building's energy consumption needs, which would effectively improve the efficient use of energy in the hospital.

Smart Energy Business

The smart energy business continuously enriched the application scenarios of "new energy+" heating and energy hosting projects, leading the transformation and upgrading of the energy industry with a significant revenue growth.

During 1H2024, the Group successfully signed the contract for Daqing Intelligent Heating Project (大慶市智慧供熱項目), the largest contractual energy management project undertaken by the Group so far. Meanwhile, the Group won bids successively for several key projects, including the Hohhot Heating Project (呼和浩特溫暖工程), the Ejin Horo Banner Heating Project (伊金霍洛旗溫暖工程), and the Yan'an Urban Heating Project (延安城區供熱), further consolidating the Group's dominant position in the field of smart heating.

While consolidating the foundation of its heating supply business, the Group actively promoted the scenario application of its “new energy+” heating projects. A clean heating solution of green electricity + intelligent heating was developed based on the method of “green electricity consumption + air source heat pump + regulated peak heat source + hot water storage tank” for the Dachaidan Project in Haixi Prefecture, Qinghai Province (青海省海西州大柴旦項目), leading the industry towards a low-carbon transformation. A geothermal heat pump + solar cooling and heating supply system was used for the clean heating project in Hantianling Village, Hexi Town, Tongxin County, Ningxia (寧夏同心縣河西鎮旱天嶺村清潔供暖項目), which effectively met the cooling and heating needs in local rural areas by fully utilizing the resources of “solar energy and geothermal heat”.

The Group will strengthen the close integration of new energy and application scenarios, develop specialized hybrid energy solutions, and promote the application of “new energy + smart energy” in new technologies and new models at building, park, and city levels.

OUTLOOK

In 1H2024, standing strong against the challenges and changes in the market environment, Technovator, leveraging on its thickening accumulation of expertise in the areas of “intelligence and energy-saving”, accelerated the technological innovation and business model upgrading, and promoted the green transformation of the industry with more efficient and intelligent integrated energy management solutions. The Group will keep close eye on the direction of the state’s policies and the changes in market demand, flexibly adjust its business strategies, increase its investment in key areas, refine market overall arrangement, actively study the integration and innovation of cutting-edge technologies, strengthen the internal business synergy with CNNC as well as the synergy between industry, academia and research with Tsinghua University and lead the industry towards a more sustainable development path with a forward-looking perspective and a mentality of perseverance.

FINANCIAL REVIEW

Revenue

In 1H2024, the government adjusted its investment policies, and fluctuations were thus triggered in our target markets. The tendering process and contracting of some major projects experienced a certain degree of delay as a result of the change of policy direction, which has affected the overall progress of such projects in a short term. The Group recorded a net revenue of RMB512.6 million for 1H2024, representing a year-on-year decline of 8.8%. Facing with tough challenge of market environment, the Group proactively adjusted its business structure, enhanced its research efforts on emerging markets and state-of-art technologies, and continued to push forward its technological innovation, market expansion and enhancement of internal management, so as to strengthen its core competitiveness.

Revenue by Business Segments

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

	Six months ended 30 June				Comparison
	2024		2023		
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	
Smart transportation	93,261	18%	176,461	31%	(47.1)%
Smart building and complex	220,216	43%	234,015	42%	(5.9)%
Smart energy	199,095	39%	151,489	27%	31.4%
Total	512,572	100%	561,965	100%	(8.8)%

Smart transportation

In 1H2024, the smart transportation business recorded a revenue of approximately RMB93.3 million, representing a decrease of 47.1% from approximately RMB176.5 for 1H2023. As the government implemented tight policies to investment projects for the purpose of preventing and defusing local debt risks, some owners rescheduled the tendering process of their projects and the commencement of works, resulting to a significant decline of revenue in this segment. In the second half of the year, the Group will fully speed up the contract signing for its bid-winning projects and the progress of delayed projects, and push forward the commencement of more high-quality projects, so as to bring impetus to the growth of segment revenue. During 1H2024, the Group focused on ensuring the progress of its projects, and made certain progress of and recorded settlement income from, major projects such as Xiamen Rail Line 4 (廈門軌道4號綫), the integration of public security communication system of the first phase of Shenyang Metro Line 4 (瀋陽地鐵4號綫), Changchun Urban Rail Transit Line 6 (長春城市軌道交通6號綫), Hangzhou Metro Line 10 (杭州地鐵10號綫) and Tianjin Metro Line 5 (天津地鐵5號綫).

Smart building and complex

The smart building and complex business recorded a revenue of approximately RMB220.2 million in 1H2024, representing a decrease of 5.9% from approximately RMB234.0 million for the corresponding period last year. The restricted scale of new investment in target markets and weak market demand has affected the segment revenue to a certain degree. The Group actively promoted the integrated application of new generation of information technology and energy-saving and emission-reduction technology in the construction works, so as to enhance its market competitiveness. The Group recently signed a contract for the project of subcontracted works for the low-voltage system for the Renaissance Hotel on Plot L20 of Phase II of Dongsheng Science and Technology Park (東升科技園二期L20地塊萬麗酒店弱電分包工程), which has further strengthened the cooperation relationship with the enterprises in the Dongsheng Science and Technology Park. The commencement of the works has taken place during 1H2024, bringing new source of revenue to the segment. Furthermore, the 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), the Super Computer Project for Northeastern University (東北大學超算項目), the High-Performance Computer Group Project for Jilin University (吉林大學高性能計算機群) and the Chemical Area of Ningxia Zhongwei Industrial Park (寧夏中衛工業園區化工區) achieved progress and recorded revenue during 1H2024.

Smart energy

The revenue generated from the smart energy business increased by 31.4% from approximately RMB151.5 million for 1H2023 to approximately RMB199.1 million. The significant increase in segment revenue was mainly attributable to the continuous upgrading and widely application of “new energy+” in heating projects, and contract signing and commencement of large contracted project for energy management. The Daqing Intelligent Heating Project is the largest EMC project undertaken by the Group in its corporate history. During 1H2024, the installation and renovation of some of the heat stations and the construction of the external wall insulation were successfully completed, which directly contributed to the growth of the segment revenue and consolidated the Group’s leading position in the field of EMC. Meanwhile, the Group continued to push forward the progress of several key projects, including Guoneng Jilin Jiangnan Heat Network Demonstration Application (國能吉林江南熱網示範運用), Heat Pump Project of the 12th Division of Xinjiang (新疆第十二師熱泵項目), Taiyuan Absorption Heat Exchange Unit for the Centralized Heating System (太原市集中供熱工程吸收式換熱機組) and the Yangquan Heat Exchange Station (陽泉市換熱站), which has made contribution to revenue of the segment.

Cost of Sales

The Group’s cost of sales decreased by 0.3% from approximately RMB457.9 million for 1H2023 to approximately RMB456.5 million for 1H2024. The decrease in cost of sales was less than the decrease in revenue, which was mainly due to the decrease in gross profit margin.

Gross Profit

Gross profit decreased by 46.1% from approximately RMB104.1 million for 1H2023 to approximately RMB56.1 million for 1H2024. Gross profit margin for 1H2024 was approximately 10.9%, representing a decrease of 7.6 percentage points as compared to that of the corresponding period last year. As the competition in the industry tended to intensify significantly, the Group, taking account of its long-term development, adjusted its market strategies in response to the changes in market environment, which negatively affected, to a certain degree, its gross profit margin in the short term.

Other Revenue

The Group recorded other revenue of approximately RMB13.2 million for 1H2024, representing an increase of approximately 3.1% as compared to approximately RMB12.8 million for 1H2023, mainly attributable to the increase in interest income for EMC projects as compared to the corresponding period last year.

Selling and Distribution Costs

Selling and distribution costs of the Group for 1H2024 were approximately RMB44.7 million, representing a year-on-year increase of 7.5% as compared to approximately RMB41.6 million for 1H2023. Selling and distribution costs accounts for 8.7% of the revenue for 1H2024, representing an increase of 1.3 percentage points as compared to that of the corresponding period last year. The increased selling costs was attributable to the Group's increased marketing expenses and more thorough strategies for market expansion to boost the brand's influence in the market and expand its market shares.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 11.0% from approximately RMB67.9 million for 1H2023 to approximately RMB75.4 million for 1H2024. A year-on-year increase in administrative and other operating expenses was due to the Group's continuous promotion of technological innovation, increasing investment in research and development, and the increasing amortisation expense of intangible assets.

Impairment Loss on Trade and Other Receivables and Contract Assets

In 1H2024, the Group made provision for impairment loss on trade and other receivables and contract assets of approximately RMB21.3 million, representing a year-on-year decrease of approximately 3.6% from approximately RMB22.1 million for 1H2023. Owing to strained capital chains of customers, the collection cycle of payments for the projects prolonged. However, as the Group actively sped up the settlement of final accounts for long-term projects and enhanced its efforts on the collection for receivables past due, the impairment loss on trade and other receivables and contract assets decreased as compared to those for the same period last year.

Finance Costs

Finance costs of the Group for 1H2024 were approximately RMB4.0 million, representing a year-on-year increase of 8.1% as compared to approximately RMB3.7 million for 1H2023. It was due to the increase in loans for promoting the sound operation of various business activities and business expansion based on its liquidity and business development.

Income Tax

Income tax decreased from approximately RMB-4.3 million in 1H2023 to approximately RMB-7.4 million for 1H2024, mainly attributable to the decrease in the provision for income tax expense resulting from the increase in loss in 1H2024.

Loss for the Period

In 1H2024, the Group recorded the loss of approximately RMB71.9 million, as compared to the loss of approximately RMB13.9 million for 1H2023. Net profit margin decreased to approximately -14.0% for the period from -2.5% for the same period last year. The increase in loss and the decrease in net profit margin for 1H2024 were mainly attributable to the decrease in revenue and gross profit.

The basic and diluted loss per share from continuing operations of the Group amounted to RMB0.0889 (1H2023: RMB0.0189).

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 2024 (RMB'000)	As at 31 December 2023 (RMB'000)	As at 30 June 2023 (RMB'000)
Inventories	1,355,869	1,282,681	1,292,256
Trade and other receivables ^(Note 1)	1,871,205	1,864,577	1,686,041
Trade and other payables	1,977,618	2,222,978	1,852,069
Average inventory turnover days	470	246	403
Average trade receivables turnover days ^(Note 2)	570	290	433
Average trade payables turnover days ^(Note 2)	735	387	626

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 and related party amounts

The Group's inventories increased by 5.7% from approximately RMB1,282.7 million as at 31 December 2023 to approximately RMB1,355.9 million as at 30 June 2024. The Group stocked up its inventories to ensure a smooth implementation of its key projects, resulting in a year-on-year increase in inventory, and the inventory turnover days increased to approximately 470 days as compared to the corresponding period last year.

The Group's trade and other receivables amounted to approximately RMB1,871.2 million as at 30 June 2024, representing an increase of 0.4% as compared to approximately RMB1,864.6 million as at 31 December 2023. The average trade receivables turnover days increased from 433 days for the corresponding period of last year to 570 days. The increase in turnover days was mainly due to the extension of customer payment cycles, which slowed down the collection of the receivables.

The Group's trade and other payables decreased by 11.0% from approximately RMB2,223.0 million as at 31 December 2023 to approximately RMB1,977.6 million as at 30 June 2024. The Group's average trade payables turnover days increased from approximately 626 days in 1H2023 to approximately 735 days in 1H2024. The Group optimised its liquidity, adjusted its payment intervals, and did its best to secure more flexible payment terms and extended credit terms from its suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

During 1H2024, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB111.1 million, which accounted for 3.9% of the Group's net assets (31 December 2023: cash and cash equivalents of approximately RMB363.3 million).

As at 30 June 2024, the Group's indebtedness consisted of short-term bank loans of approximately RMB275.3 million with an average interest rate of 3.62% per annum and long-term bank loans of approximately RMB9.5 million with an interest rate of 3.8% per annum.

As at 30 June 2024, 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 and SGD, and deposits that were readily convertible into known amounts of cash.

As at 30 June 2024, the net cash liability of the Group was approximately RMB173.7 million (31 December 2023: net cash of approximately RMB77.5 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 5.5% (31 December 2023: approximately 5.2%).

PLEDGE OF ASSETS

As at 30 June 2024, the Group had no pledge of assets.

EXCHANGE RATE FLUCTUATION RISK

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions related. The currencies giving rise to this risk are primarily Singapore Dollars, Canadian Dollars, United States Dollars and Hong Kong Dollars.

However, as the Group's operations are mainly conducted in the PRC and the majority of the sales and purchases are transacted in RMB, the Directors are of the view that the foreign exchange risk did not have any material impact on the Group's financial performance during 1H2024, and the Group has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

CONTINGENT LIABILITIES

As at 30 June 2024, 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 2024, the Group had a total of 626 employees compared to 791 employees as at 30 June 2023. Total staff costs decreased from approximately RMB103.8 million in 1H2023 to approximately RMB80.0 million in 1H2024.

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 1H2024, the Group had no material acquisition or disposal of subsidiaries or associates.

SIGNIFICANT INVESTMENTS

For 1H2024, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

During 1H2024, 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 C1 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 adopted the Model Code set out in Appendix C3 of Listing Rules during 1H2024 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 1H2024.

ISSUE OF SECURITIES

During 1H2024, the Company did not conduct any fund raising activities through issue of equity securities (including sale of treasury shares).

As at 30 June 2024, the number of treasury shares held by the Company is nil.

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

During 1H2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares).

DIVIDENDS

The Board does not recommend any interim dividend for 1H2024.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to shareholders of the Company (if requested) and available on the same websites in due course.

By Order of the Board
Technovator International Limited
Li Chengfu
Chairman

Beijing, 29 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Xiaobo and Mr. Wang Zhiqiang; the non-executive directors of the Company are Mr. Li Chengfu, Mr. Zeng Xuejie and Ms. Zhang Yanhua; and the independent non-executive directors of the Company are Mr. Chia Yew Boon, Mr. Fan Ren Da Anthony and Ms. Lu Yao.