

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



## 研祥智能科技股份有限公司

## EVOC Intelligent Technology Company Limited\*

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2308)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>Year ended 31 December</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Turnover	<b>1,544,536</b>	1,688,153	-8.5%
Gross profit	<b>568,193</b>	463,199	+22.7%
Other income	<b>343,613</b>	328,279	+4.7%
Profit attributable to owners of the Company	<b>210,538</b>	263,154	-20.0%
Earnings per share (Basic and diluted)	<b>0.171</b>	0.213	-19.7%
Gross profit margin percentage	<b>36.8%</b>	27.4%	+9.4%
	<b>As at 31 December</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
Net asset value per share	<b>RMB2.27</b>	RMB2.09	+8.6%

### CONSOLIDATED RESULTS

The Directors are pleased to present the audited consolidated results of EVOC Intelligent Technology Company Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding year in 2019 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b>	2019
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Turnover	4	<b>1,544,536</b>	1,688,153
Cost of sales		<b><u>(976,343)</u></b>	<u>(1,224,954)</u>
Gross profit		<b>568,193</b>	463,199
Other income	4	<b>343,613</b>	328,279
Selling and distribution costs		<b>(48,116)</b>	(46,107)
Administrative expenses		<b>(135,715)</b>	(144,456)
Other operating expenses		<b>(294,152)</b>	(178,085)
Fair value (loss)/gain on investment properties		<b>(21,239)</b>	17,718
Fair value gain on transfer of properties held for sale to investment properties		<b>367</b>	220
Finance costs		<b><u>(162,995)</u></b>	<u>(127,055)</u>
Profit before income tax	5	<b>249,956</b>	313,713
Income tax expense	6	<b><u>(39,418)</u></b>	<u>(50,559)</u>
<b>Profit for the year attributable to owners of the Company</b>		<b><u>210,538</u></b>	<u>263,154</u>
<b>Other comprehensive income, net of tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Surplus on revaluation of land and buildings		<b>10,685</b>	54,023
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		<b><u>503</u></b>	<u>(170)</u>
Other comprehensive income for the year, net of tax		<b><u>11,188</u></b>	<u>53,853</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b><u>221,726</u></b>	<u>317,007</u>
Earnings per share — Basic and diluted ( <i>RMB</i> )	8	<b><u>0.171</u></b>	<u>0.213</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>804,923</b>	804,106
Investment properties		<b>2,091,024</b>	2,112,208
Right-of-use assets		<b>81,059</b>	93,695
Deferred tax assets		<b>26,871</b>	25,846
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>3,003,877</b>	3,035,855
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>74,006</b>	71,234
Properties under development		<b>722,050</b>	623,257
Properties held for sale		<b>1,356,712</b>	1,441,438
Trade receivables	<i>9</i>	<b>253,991</b>	295,607
Bills receivable	<i>9</i>	<b>47,188</b>	115,357
Other receivables, deposits and prepayments		<b>231,779</b>	319,896
Contract costs		<b>3,232</b>	1,780
Amounts due from related parties		<b>1,757</b>	2,831
Cash and bank balances		<b>2,486,422</b>	1,281,633
		<hr/>	<hr/>
<b>Total current assets</b>		<b>5,177,137</b>	4,153,033
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>908,520</b>	1,000,062
Bills payable	<i>10</i>	<b>100,000</b>	100,238
Contract liabilities		<b>326,002</b>	104,942
Other payables, accruals and receipts in advance		<b>200,441</b>	330,175
Amounts due to related parties		<b>339</b>	142
Lease liabilities		<b>12,703</b>	8,815
Bank borrowings		<b>1,623,687</b>	781,225
Income tax payable		<b>95,718</b>	76,112
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>3,267,410</b>	2,401,711
		<hr/>	<hr/>
<b>Net current assets</b>		<b>1,909,727</b>	1,751,322
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>4,913,604</b>	4,787,177
		<hr/> <hr/>	<hr/> <hr/>

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current liabilities</b>		
Bank borrowings	<b>1,672,410</b>	1,760,018
Other payables, accruals and receipts in advance	<b>15,410</b>	10,487
Lease liabilities	<b>43,172</b>	55,046
Deferred tax liabilities	<b>383,212</b>	383,952
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>2,114,204</b>	2,209,503
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>2,799,400</b>	2,577,674
	<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>123,314</b>	123,314
Reserves	<b>2,676,086</b>	2,454,360
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>2,799,400</b>	2,577,674
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

**1. CORPORATE INFORMATION**

The Company is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The Group is principally engaged in the research, development, manufacture and distribution of special computer products, assembling and trading of electronic products and accessories and development of properties in the PRC.

**2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

**(a) Adoption of new or amended HKFRSs**

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

**(b) New or amended HKFRSs that have been issued but are not yet effective**

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	Covid-19 — Related Rent Concessions <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>2</sup>
Annual Improvements to HKFRSs 2018–2020	Annual Improvements projects <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the “CODM”) that are used to make strategic decisions.

The Group has two reportable and operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Research, development, manufacture and distribution of special computer products, assembling and trading of electronic products and accessories
- Development of properties for sale and investment purposes

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments’ profit, segments’ assets and segments’ liabilities that are used by the CODM for assessment of segment performance.

#### For the year ended 31 December 2020

	Special computer products and electronic products and accessories <i>RMB’000</i>	Property development <i>RMB’000</i>	Total <i>RMB’000</i>
External revenue	<u>1,319,424</u>	<u>225,112</u>	<u>1,544,536</u>
Reportable segment profit	<u>313,706</u>	<u>82,407</u>	<u>396,113</u>
Amounts included in the measure of segment profit or loss or segment assets:			
Bank interest income	15,701	646	16,347
Research and development costs	(266,177)	—	(266,177)
Government subsidies income	100,757	81	100,838
Gain on disposal of property, plant and equipment	727	3	730
Rental from investment properties, net	138,323	18,550	156,873
Other income — others	37,371	6,685	44,056
Depreciation:			
— Property, plant and equipment	(28,497)	(14,831)	(43,328)
— Right-of-use assets	(12,903)	(721)	(13,624)
Impairment on inventories	191	—	191
Fair value loss on investment properties	(2,405)	(18,834)	(21,239)
Fair value gain on transfer of properties held for sale to investment properties	—	367	367
Reportable segment assets	3,200,103	3,341,048	6,541,151
Additions to non-current assets	27,822	3,202	31,024
Reportable segment liabilities	<u>(962,719)</u>	<u>(893,480)</u>	<u>(1,856,199)</u>

**For the year ended 31 December 2019**

	Special computer products and electronic products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Others* <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	<u>1,376,755</u>	<u>239,055</u>	<u>72,343</u>	<u>—</u>	<u>1,688,153</u>
Intersegment revenue	<u>—</u>	<u>—</u>	<u>104,149</u>	<u>(104,149)</u>	<u>—</u>
Reportable segment profit	<u>321,196</u>	<u>106,828</u>	<u>180</u>	<u>—</u>	<u>428,204</u>
Amounts included in the measure of segment profit or loss or segment assets:					
Bank interest income	8,811	—	12	—	8,823
Research and development costs	(146,601)	—	—	—	(146,601)
Government subsidies income	76,537	23,957	—	—	100,494
Gain on disposal of property, plant and equipment	55	—	—	—	55
Rental from investment properties, net	146,903	21,472	—	—	168,375
Other income — others	25,979	3,156	—	—	29,135
Depreciation:					
— Property, plant and equipment	(36,697)	(11,170)	—	—	(47,867)
— Right-of-use assets	(5,144)	(721)	—	—	(5,865)
Reversal of impairment on inventories	4,640	—	—	—	4,640
Fair value gain/(loss) on investment properties	32,983	(15,265)	—	—	17,718
Fair value gain on transfer of properties held for sale to investment properties	—	220	—	—	220
Reportable segment assets	2,052,354	3,378,792	88,228	—	5,519,374
Additions to non-current assets	29,135	8,357	—	—	37,492
Reportable segment liabilities	<u>(1,025,943)</u>	<u>(874,342)</u>	<u>(813)</u>	<u>—</u>	<u>(1,901,098)</u>

\* The revenue was generated from trading of chemical products and was below the quantitative threshold of 10 per cent of the combined revenue of all operating segments and hence was not considered as a reportable segment.

*Notes:*

- (a) The following is an analysis of Group's revenue from its major customers which represent 10 per cent or more of the Group's revenues during the year and is attributable to the reportable segment of "research, development, manufacturing and distribution of special computer products, assembling and trading of electronic products and accessories":

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	<u><b>665,156</b></u>	<u>847,487</u>

(b) Reconciliation of reportable segment revenues, results, assets and liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>		
Total of reportable segments' revenue and consolidated revenue	<u>1,544,536</u>	<u>1,688,153</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit before income tax</b>		
Total of reportable segments' profit	396,113	428,204
Unallocated other income	24,769	21,397
Unallocated corporate expenses	(7,931)	(8,833)
Finance costs	<u>(162,995)</u>	<u>(127,055)</u>
Profit before income tax	<u>249,956</u>	<u>313,713</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Total of reportable segments' assets</b>		
Reportable segment assets	6,541,151	5,519,374
Deferred tax assets	26,871	25,846
Unallocated property, plant and equipment	245,355	260,635
Unallocated investment properties	1,315,093	1,317,499
Unallocated corporate assets	<u>52,544</u>	<u>65,534</u>
Consolidated total assets	<u>8,181,014</u>	<u>7,188,888</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Total of reportable segments' liabilities</b>		
Reportable segment liabilities	1,856,199	1,901,098
Unallocated bank borrowings	3,046,485	2,250,052
Deferred tax liabilities	383,212	383,952
Income tax payable	<u>95,718</u>	<u>76,112</u>
Consolidated total liabilities	<u>5,381,614</u>	<u>4,611,214</u>



(c) **Geographic information**

All revenue from external customers and non-current assets other than deferred tax assets are located in the PRC (place of domicile).

The geographical location of customers is based on the location at which the goods were delivered and the services were provided. The geographical location of non-current assets other than deferred tax assets is based on the physical location of the assets.

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Special computer products and electronic products and accessories		Property development		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Major products and services</b>								
Sales of special computer products	650,511	529,268	—	—	—	—	650,511	529,268
Sales of mobile phones and accessories	668,913	847,487	—	—	—	—	668,913	847,487
Sales of properties	—	—	225,112	239,055	—	—	225,112	239,055
Others	—	—	—	—	—	72,343	—	72,343
	<u>1,319,424</u>	<u>1,376,755</u>	<u>225,112</u>	<u>239,055</u>	<u>—</u>	<u>72,343</u>	<u>1,544,536</u>	<u>1,688,153</u>
<b>Timing of revenue recognition</b>								
At a point in time	<u>1,319,424</u>	<u>1,376,755</u>	<u>225,112</u>	<u>239,055</u>	<u>—</u>	<u>72,343</u>	<u>1,544,536</u>	<u>1,688,153</u>

**4. TURNOVER AND OTHER INCOME**

Turnover represents the invoiced value of goods sold and services provided to customers and excludes value added tax. The amounts of each significant category of revenue recognised during the year are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Turnover</b>		
Sales of special computer products	650,511	529,268
Sales of mobile phones and accessories	668,913	847,487
Sales of chemical products	—	72,343
Sales of properties	225,112	239,055
	<u>1,544,536</u>	<u>1,688,153</u>

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables	253,991	295,607
Contract liabilities	<u>326,002</u>	<u>104,942</u>

The contract liabilities mainly relate to the advance consideration received from customers. RMB84,785,000 of the contract liabilities as of 31 December 2019 has been recognised as revenue for the year ended 31 December 2020 at the point in time when the customers obtained control of the assets.

### Unsatisfied performance obligations

As at 31 December 2020, the performance obligation that are unsatisfied were approximately RMB326,002,000 (2019: RMB104,942,000). Management expects that the unsatisfied performance obligations at reporting date will be recognised as revenue within one year or less based on the contract period and the timing of the transfer of those goods is at the discretion of the customers.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Gross rentals from investment properties	157,689	168,649
Less: direct operating expenses (including repairs and maintenance fees) arising from leasing of investment properties reimbursed from tenants	<u>(816)</u>	<u>(274)</u>
	156,873	168,375
Bank interest income	16,347	8,823
Value-added tax (“VAT”) concessions ( <i>Note (a)</i> )	25,236	21,397
Government subsidies ( <i>Note (b)</i> )	100,838	100,494
Repairs and maintenance income	4,992	5,524
Exchange (loss)/gain	(778)	331
Compensation for termination of lease	9,596	3,778
Material and scrap sales income	4,707	2,390
Gain/(loss) on disposal of property, plant and equipment	728	(26)
Service income	5,403	6,065
Sundry income	<u>19,671</u>	<u>11,128</u>
	<u>343,613</u>	<u>328,279</u>

*Notes:*

- (a) VAT refunds were obtained from local tax authority in respect of sales of approved software and integrated circuit products.

- (b) Financial incentives were granted by the PRC government for development of high-technology products and purchases of specified property, plant and equipment for development of specified projects. Included in the amount of government grants recognised as other income for the year ended 31 December 2020, RMB22,952,000 (2019: RMB14,129,000) related to grants that the Group has fulfilled the relevant granting criteria immediately upon receipt of payment and the grant was not capital in nature, RMB43,772,000 (2019: RMB47,549,000) and RMB21,885,000 (2019: RMB26,532,000) related to grants that compensated for research and development costs that were incurred and expensed for development of high-technology products during the current year and the preceding year respectively and RMB12,229,000 (2019: RMB12,284,000) related to grants that are recognised over the expected useful lives of the relevant specified property, plant and equipment for development of specified project.

## 5. PROFIT BEFORE INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration	2,049	1,943
Cost of inventories recognised as an expense ( <i>Note (a)</i> )	876,953	1,107,235
Cost of sales of properties recognised as an expense	99,390	117,719
Depreciation:		
— Property, plant and equipment	43,328	47,867
— Right-of-use-assets	13,624	5,865
Foreign exchange difference, net	778	(331)
(Gain)/loss on disposal of property, plant and equipment	(728)	26
Loss on written off of property, plant and equipment	4	189
Impairment/(reversal of impairment) on inventories	191	(4,640)
Research and development costs ( <i>Note (b)</i> )	266,177	146,601
Short-term leases expenses	2,103	3,721
Staff costs (including directors' emoluments):		
Wages, salaries and allowances	98,849	93,253
Bonus	7,293	3,620
Contributions to retirement benefits schemes ( <i>Note (c)</i> )	4,490	11,167
	<b>110,632</b>	<b>108,040</b>

*Notes:*

- (a) Cost of inventories sold includes, but not limited to, the staff costs of RMB14,203,000 (2019: RMB21,809,000), depreciation charges of RMB1,152,000 (2019: RMB3,730,000), costs of raw materials and parts used in assembling of mobiles phones of RMB601,213,000 (2019: RMB726,197,000) and subcontracting fees in assembling of mobile phones of RMB6,073,000 (2019: RMB7,369,000).
- (b) Research and development costs are included in other operating expenses and mainly consists of depreciation charges of RMB4,050,000 (2019: RMB2,350,000), consumable and material expenses amounting to RMB190,799,000 (2019: RMB87,384,000), staff costs amounting to RMB37,848,000 (2019: RMB30,503,000) and inspection fee amounting to RMB7,261,000 (2019: RMB1,544,000).

(c) At 31 December 2020, the Group had no forfeited contributions available to reduce its future contributions to the retirement benefits schemes (2019: Nil).

## 6. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax — the PRC</b>		
Enterprise income tax (“EIT”)		
— Current year	8,265	6,742
— Over provision in respect of prior years	(2,558)	—
Land appreciation tax (“LAT”)		
— Current year	<u>39,038</u>	<u>38,029</u>
	<u>44,745</u>	<u>44,771</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences, net	<u>(5,327)</u>	<u>5,788</u>
Income tax expense	<u><u>39,418</u></u>	<u><u>50,559</u></u>

The Company and a subsidiary which have been approved as new and high technology enterprise are entitled to a concessionary tax rate of 15% for a period of three years. The Company and a subsidiary need to re-apply for the preferential tax treatment when the preferential tax period expires on 10 December 2023 (2019: expired on 1 December 2020).

The income tax charge for the year of RMB8,265,000 (2019: RMB6,742,000) is after deduction of the effect of the super deduction of research expenses.

Other subsidiaries are subject to income tax rate of 25% (2019: 25%) during the reporting period.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax under a two-tiered profits tax rates regime. The first HK\$2 million of profits are taxed at 8.25%, and the remaining profits above HK\$2 million are taxed at 16.5%.

No Hong Kong profits tax has been provided for the years ended 31 December 2020 and 2019 as there was no estimated assessable profit.

## 7. DIVIDENDS

The board of directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

## 8. EARNINGS PER SHARE

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

	2020	2019
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation ( <i>RMB'000</i> )	210,538	263,154
Weighted average number of domestic and H shares in issue	1,233,144,000	1,233,144,000
Basic and diluted earnings per share ( <i>RMB</i> )	<u>0.171</u>	<u>0.213</u>

There was no potential domestic and H shares in issue during the reporting period, the amount of diluted earnings per share is the same as basic earnings per share for both years.

## 9. TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables, net ( <i>Note</i> )	253,991	295,607
Bills receivable	<u>47,188</u>	<u>115,357</u>
Total	<u>301,179</u>	<u>410,964</u>

Goods sold to customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranged from 30 days to 90 days, extending up to 180 days for major customers. Each customer has a maximum credit limit.

*Note:*

The ageing analysis of gross trade receivables at the end of reporting period, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	249,803	275,362
91 to 180 days	797	11,659
181 to 365 days	753	146
Over 1 year	<u>2,638</u>	<u>8,440</u>
Gross trade receivables	<u>253,991</u>	<u>295,607</u>

## 10. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	908,520	1,000,062
Bills payable	<u>100,000</u>	<u>100,238</u>
	<u><b>1,008,520</b></u>	<u><b>1,100,300</b></u>

The ageing analysis of trade payables, based on invoice date, as of the end of reporting period is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	715,731	775,775
91 to 180 days	3,345	59,533
181 to 365 days	27,183	16,996
Over 1 year	<u>162,261</u>	<u>147,758</u>
	<u><b>908,520</b></u>	<u><b>1,000,062</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Company continued to engage in the research, development, manufacture and distribution of special computer products in the PRC. We dedicated our efforts to enhancing and transforming the traditional industries in the PRC. Meanwhile, the Company was also engaged in assembling and trading of electronic products and accessories and development of properties in the PRC.

In 2020, with continuous and ongoing influence of the COVID-19, Chinese and global economies have been fluctuating considerably. We witnessed negative growths of most countries and regions. During the pandemic, many of the Company's customer orders requested for delayed deliveries and many successful biddings were extended or even cancelled. As such, we could not arrange delivery even through numerous goods produced and stored. As the pandemic continued, domestic customers' business orders shrank with slowdown in production and operation activities, resulting in a decline in the special computer market. In the field of traditional manufacturing, faced competition from online sales, many customers have suspended their transformations and upgrades of smart manufacturing. Thus, the demands for information technology and smart equipment were weak. The domestic suppliers' resumption of production and work was delayed, and the delivery of materials was extended or even suspended. These caused difficulties in the supply of raw materials for special computers with severe challenges in respects of the normal production and delivery of special computers. In particular, since the fourth quarter of 2020, the worldwide shortage of IC chips supply and a surge in supply price have significantly increased the production and operation costs of enterprises in the industry, and the sales profit of enterprises has been squeezed.

During the period under review, China has been strictly preventing the pandemic. In order to meet the requirements of social distancing, the Company increased its office area and reformed its office mode while constantly investing in materials and staff for pandemic prevention, which further pushed up the production and operation costs of the Company. At the end of 2020, the U.K. identified the COVID-19 mutation along with a new wave of outbreak in many regions around the country where was dull during its peak season and the market was in a pessimistic atmosphere with no prospect. During the Chinese New Year, a call for "celebration over here" and the previous market of "big consumption in the Spring Festival" have not emerged. All such negative trends have dampened the recovery and growth of the special computer industry.

As the pandemic continued to rage worldwide, domestic sales lagged and international trade weakened, resulting in serious impact on the domestic and overseas sales of special computer products. The U.S. continued its sanctions on certain enterprises or institutions of China by including them in the Entity List. The stringent export restrictions on IC (integrated circuit) and industrial design software from the U.S. have intensified the risks of the availability and the increase in price of imported raw materials for special computers. As such, the motivation for updating and iterating information products and the consumption expectations amidst the special computer market were lowered. Since the appointment of the new president of the U.S. upon the election, the China-U.S. competition strategy has continued, which is unfavourable to the prospects of trading of both countries.

In face of the global pandemic and the changing development trends of the domestic and overseas markets, the Company adjusted its market expectations and operating strategies in a timely manner. It continued to apply the sales rule of “cash before delivery”. Under the new situation, it conducted optimization of its distributor system through reform, shortened product delivery period and kept abreast of the market practice. Any new product research and development projects were begun more prudently and adequate adjustments to the existing product structure have been made, in order to ensure the necessary advancement of our products.

### **Development of Science and Technology Industrial Park and Other Properties**

In 2020, the gross sales revenue from the construction of the Science and Technology Industrial Park amounted to approximately RMB225.1 million for the year. Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”) has a completed gross floor area of approximately 177,000 sq.m., which consists of 12 office and commercial buildings that are currently in sale. Section A2 of Wuxi has a completed gross floor area of approximately 132,000 sq.m., which consists of 84 office buildings that are currently in sale. Phase 2 of Homer’s International Garden at Dianshan Lake in Kunshan was fully completed in 2019 with a gross floor area of approximately 56,000 sq.m. The first phase of the Nantong EVOC Science and Technology Park project was fully completed in 2019 with a gross floor area of approximately 72,800 sq.m., which consists of 39 office buildings. Huaqiao EVOC International Finance Center in Kunshan has been designed as a 250-metre high-rise building with 56 stories, and is expected to be fully completed in 2023.



## **Revenue from Leased Properties**

As at the end of 2020, the total leased area of the Group reached 242,700 sq.m., achieving total property rental revenue of approximately RMB158 million for the whole year. Due to the continuous and ongoing impact of Covid-19 pandemic, the overall average leased area has dropped significantly; the EVOC Technology Building in Hangzhou was completed in 2017, and a gross floor area of approximately 66,000 sq.m. was rented other than a portion for self-use. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed in early 2014 with a gross floor area of approximately 245,000 sq.m. The project includes one research and development office building, two buildings of plants and one furnished apartment building with an approximate gross floor area of 58,000 sq.m., 92,000 sq.m. and 55,000 sq.m. respectively, as well as an underground parking lot occupying approximately 40,000 sq.m.; 80% of the park was leased. Shenzhen EVOC Technology Building was completed in 2007 with a gross floor area of approximately 62,000 sq.m. Other than keeping a small portion for self-use, all the units in the building were rented. For Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”), offices with a gross floor area of approximately 50,000 sq.m. and commercial lots with a gross floor area of approximately 54,000 sq.m. were available for lease. Phases 1 and 2 of Homer’s International Garden at Dianshan Lake in Kunshan have a gross floor area of approximately 47,000 sq.m. for office use, and part of it was rented.

## **RESULT OF THE YEAR**

In 2020, the Group recorded a turnover of approximately RMB1,544.5 million, representing an decrease of approximately 8.5% as compared with last year, of which sales of special computer products was approximately RMB650.5 million, sales of mobile phones and accessories was approximately RMB668.9 million, and sales of properties was approximately RMB225.1 million. Profit attributable to owners of the Company was approximately RMB210.5 million. Excluding fair value changes on investment properties and transfer of properties held for sale to investment properties of approximately RMB20.9 million, core profit attributable to owners was approximately RMB231.4 million. Core profit margin attributable to owners was approximate 15.0%.

## **Research & Development and Products**

The Company was committed to independent innovation and continued to develop the research and applications of special computers. Various domestic research institutes and units applying the products were brought together by the Company to carry out close collaboration in the research and industrialisation of products based on the smart manufacturing and informatisation. With reference to the characteristics of domestic market, certain existing products were upgraded by carrying out research on product reliability and stability in alignment with the development of new technologies.

## **Marketing and Brands**

The Company continued to adopt the diversified sales models including direct sales, distribution, online sales and offline sales, making full use of the online and offline resources. Marketing and communication efforts were fully integrated by means of, among others, distributor meetings, seminars and media partnerships.

Consistently aiming for professional development, the Company focused on building brand assets and the reputation for quality. It continuously won the trust of its customers by quickly responding to their needs.

## **Outlook and Prospect**

In current situation, the global pandemic remains uncertain, the dissemination of vaccine is limited, the China-U.S. trade condition continues stalemated, and the populism and protectionism are escalating. All of these have brought more risks and challenges to the Chinese and the global economies. The ongoing pandemic prevention and control measures of China test the endurance of business entities, raise the costs and reduced the competitive edges of the manufacturing industry. With the lack of market confidence, the market sales of special computer would be adversely affected. There are increasing risks pertaining to the availability of and the price rise in foreign ICs, which poses relatively serious concerns to the continuous production and technological innovation of special computers. Meanwhile, as a result of the rising prices of basic supplies and changes in demographic structure, higher requirement is placed towards the management of the turnover costs of raw materials and the labour costs of special computers.

Looking forward, the post-epidemic era has become a new trend in global economic development. Chinese economy is fighting against the pandemic by forging ahead with economic recovery through setting a development layout for dual-cycle of domestic and overseas markets. While adapting to the “new normal” under the pandemic and meeting new opportunities ahead, the Company will continue to implement its business plan in a prudent manner.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2020, the Group reported a total revenue of approximate RMB1,544.5 million (2019: approximate RMB1,688.2 million) representing an approximate decrease of 8.5%, analysed by product categories as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>	Change %
Turnover			
Sales of special computer products	<b>650,511</b>	529,268	+22.9%
Sales of mobile phones and accessories	<b>668,913</b>	847,487	-21.1%
Sales of chemical products	—	72,343	N/A
Sales of properties	<b>225,112</b>	239,055	-5.8%
	<b><u>1,544,536</u></b>	<u>1,688,153</u>	-8.5%

### *Cost of Sales and Gross Profit Margin*

Cost of sales for the period was approximately RMB976.3 million, represents an approximate decrease of 20.3% as compared to previous year.

Gross profit margin for the period increased by approximate 9.4% to approximate 36.8%.

The increase of gross profit margin was mainly due to increase in turnover of higher profit margin in special computer products.

### *Other Income*

Other income for the period slightly increased from approximate RMB328.3 million in 2019 to approximate RMB343.6 million in 2020.

### *Selling & Distribution Costs*

The selling and distribution costs increased by 4.4% from approximate RMB46.1 million in 2019 to approximate RMB48.1 million in 2020. It was due to the increase in wages and welfare benefit of sales team.

### ***Administrative Expenses***

The administrative expenses decreased by 6.1% from approximate RMB144.5 million in 2019 to approximate RMB135.7 million in 2020. It was mainly due to the temporary reduction and exemption of enterprises' contributions under the relevant provisions of Social Insurance Law.

### ***Research & Development Costs***

The research and development costs increased by 81.6% from approximate RMB146.6 million in 2019 to approximate RMB266.2 million in 2020. The increase was mainly due to significant products development in special computer.

### ***Fair Value Changes***

During the period, the Group recorded a fair value loss of approximate RMB21.2 million on investment properties and fair value gain of approximate RMB0.3 million on transfer of properties held for sale to investment properties.

### ***Finance Costs***

Finance costs net of interest capitalised were approximately RMB163.0 million in 2020, compared with approximately RMB127.1 million in 2019, representing an increase of 28.3%. The increase was mainly due to increase in bank borrowings.

### ***Income Tax Expense***

Income tax expenses decreased by 22.0% from approximately RMB50.6 million in 2019 to approximately RMB39.4 million in 2020. It is mainly due to decrease in turnover sales.

### ***Profit Attributable to Owners of the Company***

The Group's profit attributable to owners of the Company decreased from approximate RMB263.2 million in 2019 to approximate RMB210.5 million in 2020, representing an approximate decrease of 20.0%. The net profit margin has been decreased from 15.6% to 13.6%.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group generally finances its operation with internal resource and banking facilities by bankers in the PRC. As at 31 December 2020, the Group's gearing ratio had slightly increased to approximate 65.8% (calculated on the basis of the Group's total liabilities over total assets) from approximate 64.1% as at 31 December 2019. At the year end date the Group's total bank borrowings amounted to approximate RMB3,296.1 million (2019: approximate RMB2,541.2 million). The Group's cash and bank balances as at 31 December 2020 increased to approximate RMB2,486.4 million (2019: approximate

RMB1,281.6 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to approximate 1.58 as at 31 December 2020 (2019: approximate 1.73).

#### **FOREIGN EXCHANGE EXPOSURES**

Since most of the transactions of the Group were denominated in Renminbi, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review.

#### **CONTINGENT LIABILITIES**

The Group has no contingent liabilities as at 31 December 2020.

#### **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had contracted but not provided capital commitments for amounting to approximate RMB624.8 million (2019: approximate RMB677.9 million) in respect of the construction of buildings and properties under development in Wuxi, Kunshan and Hangzhou.

#### **PLEDGE OF ASSETS**

At 31 December 2020, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximate RMB3,132.4 million (2019: approximate RMB3,563.3 million) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

#### **EMPLOYEE INFORMATION**

As at 31 December 2020, the Group had a total workforce of 867 (2019: 865). Employee benefits during the year were approximately RMB110.6 million (2019: approximate RMB108.0 million).

The Group recognises the importance of high caliber and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are mainly in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. The Group remunerates its employees based on performance, experience and prevailing industry practices. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

## **DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDERS INTERESTS IN CONTRACTS**

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director, supervisor or controlling shareholder of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **COMPETING INTERESTS**

None of the directors, initial management shareholders or their respective associates (as defined in the Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not purchased, sold or redeemed any of the Company's shares during the year.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 of the Listing Rules without any deviation. None of the Directors is aware of any information that would reasonably suggest that the Company is not or was not in compliance with the Code at any time during the period under review.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2020 to 31 December 2020.

## **AUDIT COMMITTEE**

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Yu Tat Chi, Michael, Mr. Ling Chun Kwok and Mr. Zhang Da Ming. Mr. Yu Tat Chi, Michael is the Chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met on a semi-annual basis and the review covers the findings of internal

controls, risk management and financial reporting matters. The audit committee reviewed and monitored the external auditor's independence and effectiveness of the audit process in accordance with applicable standard. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 2020.

## **REMUNERATION AND REVIEW COMMITTEE**

The remuneration and review committee of the Company comprises one executive director, Mr. Geng Wen Qiang and two independent non-executive directors, Mr. Ling Chun Kwok and Mr. Zhang Da Ming. Mr. Ling Chun Kwok is the Chairman of the remuneration and review committee. The remuneration and review committee has rights and duties consistent with those set out in the Code Provisions. The remuneration and review committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

## **NOMINATION COMMITTEE**

The nomination committee of the Company comprises one executive director, Mr. Chen Zhi Lie and two independent non-executive directors, Mr. Ling Chun Kwok and Ms. Wu Yan Nan. Mr. Chen Zhi Lie is the Chairman of the nomination committee. The nomination committee is primarily responsible for considering and recommending to the Board suitably qualified persons to become the members of the Board and also reviewing the structure, size and composition of the Board on a regular basis and as required.

## **DIRECTORS**

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Geng Wen Qiang; the independent non-executive directors of the Group are Mr. Yu Tat Chi, Michael, Mr. Ling Chun Kwok, Ms. Wu Yan Nan and Mr. Zhang Da Ming.

## **SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

On 22 June 2020, the board of directors of 研祥高科技控股集團有限公司 (EVOC Hi-Tech Holding Group Co., Ltd) (the "Offeror" , the controlling shareholder of the Company), and the board of directors of the Company jointly announced that ICBC International Capital Limited, on behalf of the Offeror to make a voluntary conditional cash offer to acquire all the issued H Shares of the Company at the offer price of HK\$1.50 in cash for each H Share.

As set out in the composite document dated 19 August 2020, the H Share Offer was conditional on minimum valid acceptances of the H Share Offer being received by 4:00 p.m. on the Closing Date amounting to at least 90% of the H Shares in issue.

As at 4:00 p.m. on 9 November 2020 (the “Extended Closing Date”), the Offeror received valid acceptances of 273,900,200 H Shares, representing approximately 88.83% of the total issued H Shares. The condition of acceptance of H Shares has not been fulfilled. Therefore, the H Share Offer has not become unconditional and lapsed upon the Extended Closing Date as the acceptance condition failed to be satisfied.

#### **SCOPE OF WORK OF MESSRS. BDO LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

#### **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company’s website at [www.evoc.com](http://www.evoc.com). The annual report of the Company for the year ended 31 December 2020 will also be published on the aforesaid websites in due course.

By Order of the Board  
**EVOC Intelligent Technology Company Limited\***  
**Chen Zhi Lie**  
*Chairman*

Shenzhen, the PRC, 31 March 2021

\* *For identification purpose only*