



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)
Stock Code: 2308



* For identification purpose only

Interim Report 2013

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2013 was approximately RMB550.5 million (2012: RMB556.0 million), representing a decrease of approximately 1% as compared with the same period of last year.

Profit attributable to owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB25.5 million (2012: RMB23.3 million), representing an increase of approximately 9% as compared with the same period of last year.

Earnings per share were approximately RMB0.021 (2012: RMB0.021) for the six months ended 30 June 2013.

The Directors do not recommend payment of dividend for the six months ended 30 June 2013 (2012: Nil).

UNAUDITED RESULTS

The Board of directors (the “Directors”) is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2013, together with the comparative unaudited results for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover	4	550,473	556,038
Cost of sales		(465,691)	(467,049)
Gross profit		84,782	88,989
Other income	4	41,976	33,509
Selling and distribution costs		(19,533)	(21,794)
Administrative expenses		(24,100)	(20,821)
Other operating expenses		(27,125)	(27,378)
Finance costs		(28,273)	(24,685)
Profit before income tax	5	27,727	27,820
Income tax expenses	6	(2,227)	(4,537)
Profit and total comprehensive income for the period		25,500	23,283
Profit and total comprehensive income attributable to:			
Owners of the Company		25,500	25,349
Non-controlling interests		—	(2,066)
		25,500	23,283
Earnings per share — Basic and diluted	8	RMB0.021	RMB0.021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	809,644	774,913
Investment properties		119,033	119,033
Prepaid land leases payments		320,697	76,074
Deferred tax assets		17,376	16,196
Total non-current assets		1,266,750	986,216
Current assets			
Inventories	10	85,908	39,712
Properties under development		967,845	917,384
Prepaid land leases payments		1,673	1,673
Trade receivables	11	78,229	203,942
Bills receivable		55,133	49,554
Other receivables, deposits and prepayments		80,124	42,041
Income tax recoverable		—	1,179
Cash and bank balances		974,598	1,550,317
Total current assets		2,243,510	2,805,802
Current liabilities			
Trade payables	12	77,671	199,729
Bills payable		666	2,632
Other payables, accruals and receipts in advance		395,500	439,613
Bank borrowings	13	897,500	906,000
Income tax payable		6,228	13,582
Total current liabilities		1,377,565	1,561,556
Net current assets		865,945	1,244,246
Total assets less current liabilities		2,132,695	2,230,462

	<i>Notes</i>	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current liabilities			
Other payables and accruals		15,207	—
Bank borrowings	13	894,000	688,980
Deferred tax liabilities		113,513	113,513
Total non-current liabilities		1,022,720	802,493
NET ASSETS		1,109,975	1,427,969
CAPITAL AND RESERVES			
Share capital	14	123,314	123,314
Reserves		986,661	961,161
Equity attributable to owners of the Company		1,109,975	1,084,475
Non-controlling interests		—	343,494
TOTAL EQUITY		1,109,975	1,427,969

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2013	123,314	8,586	78,552	119,680	1,060	753,283	1,084,475	343,494	1,427,969
Profit and total comprehensive income for the period	—	—	—	—	—	25,500	25,500	—	25,500
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(343,494)	(343,494)
At 30 June 2013 (unaudited)	123,314	8,586	78,552	119,680	1,060	778,783	1,109,975	0	1,109,975
At 1 January 2012	123,314	8,586	78,067	102,665	1,060	660,364	974,056	329,390	1,303,446
Profit and total comprehensive income for the period	—	—	—	—	—	25,349	25,349	(2,066)	23,283
At 30 June 2012 (unaudited)	123,314	8,586	78,067	102,665	1,060	685,713	999,405	327,324	1,326,729

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	39,293	32,105
NET CASH USED IN INVESTING ACTIVITIES	(299,700)	(425,669)
NET CASH GENERATED FROM FINANCING ACTIVITIES	68,698	367,949
NET DECREASE IN CASH AND CASH EQUIVALENTS	(191,709)	(25,615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	382,079	225,380
CASH AND CASH EQUIVALENTS AT END OF PERIOD	190,370	199,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	974,598	1,518,956
Less: Time deposits with original maturity of more than three months when acquired	(770,000)	(1,305,000)
Pledged bank balances	(14,228)	(14,191)
CASH AND CASH EQUIVALENTS	190,370	199,765

Notes:

1. CORPORATE INFORMATION

EVOC Intelligent Technology Company Limited (the “Company”) is a joint stock limited liability company established in the People’s Republic of China (the “PRC”). The address of its registered office and principal place of business is located at EVOC Technology Building, No. 31 Gaoxinzhongsi Avenue, Nanshan District, Shenzhen, the PRC.

2. PRINCIPAL ACTIVITIES

The Group engages in the research, development, manufacture and distribution of Advanced Process Automation (“APA”) products, trading of electronic accessories and development of properties in Mainland China. APA is a computer system built to allow users to adopt hardware and software applications to perform a dedicated function or a range of dedicated functions such as data processing, generating, interpreting and executing control signals, etc. and is embedded into a product, device or a larger system. APA products manufactured and distributed by the Group are widely applied in areas of tele-communication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance, etc.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements were unaudited. The condensed consolidated financial statements have been reviewed by the audit committee of the Company.

The Company was established in the PRC on 18 December 2000 as a joint stock limited company under the PRC’s Company Law and its H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM”) on 10 October 2003. The Company transferred from the GEM to the Main Board of the Stock Exchange on 12 July 2010.

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012. They have been prepared under the historical cost convention, as modified for the revaluation of buildings and investment properties.

The Group has adopted the standards, amendment and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2013. The adoption of such standards, amendment and interpretations did not have material effect on these results.

4. TURNOVER AND OTHER INCOME

Turnover represents the invoiced value of goods sold and services provided to customers, net of estimated customer returns, rebates and other similar allowances and excludes value added tax.

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover		
Sales of APA products	300,915	295,468
Sales of electronic accessories	249,558	260,570
	550,473	556,038
Other income		
Bank interest income	14,104	9,153
Value-added tax("VAT") concession	3,271	5,420
Gross rentals from investment properties	23,136	16,595
Less: direct operating expenses (including repairs and maintenance) arising on rental income from investment properties	(3,614)	(2,905)
	19,522	13,690
Government subsidies	3,134	3,387
Sub-contracting income	1,849	2,188
Foreign exchange differences, net	96	(329)
	41,976	33,509
	592,449	589,547

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	463,438	464,417
Depreciation of property, plant and equipment	5,281	12,483
Amortisation of prepaid land leases payment	631	631
Loss on disposal of property, plant and equipment, net (Reversal of impairment loss)/Impairment loss on trade receivables	1,505 (1)	252 251
Minimum lease payments under operating leases	3,376	4,086
Research and development costs	23,475	24,046
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	44,357	43,523
Contributions to retirement benefits schemes	3,460	3,964

6. INCOME TAX

In accordance with the PRC Enterprise Income Tax Law, the PRC Enterprise Income Tax (the "EIT") is calculated at 25% on the estimated assessable profit for the year. Certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilization of tax losses brought forward and are entitled to 50% relief on the income tax in the following three years. These subsidiaries are subject to income tax rates ranging from 12.5% to 25% (2012: 12.5% to 25%) during the reporting period.

Certain subsidiaries of the Company which have been approved as new and high technology enterprise are entitled to a concessionary tax rate of 15%. These subsidiaries need to re-apply for the preferential tax treatment when the preferential tax period expires.

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the six months ended 30 June 2013 and 2012 as there were no estimated assessable profits arose for both periods.

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2013 (2012: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 30 June 2013 is based on the unaudited profit for the six months ended 30 June 2013 of approximately RMB25,500,000 (2012: RMB25,349,000) and the weighted average number of domestic and H shares in issue of 1,233,144,000 (2012: 1,233,144,000) during the period.

There was no dilutive 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 the six months ended 30 June 2013 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation:							
As at 1 January 2013	221,367	31,575	26,709	88,789	14,396	508,803	891,639
Additions	—	—	6,895	—	—	34,622	41,517
Disposals	—	—	(4,695)	—	—	—	(4,695)
As at 30 June 2013	221,367	31,575	28,909	88,789	14,396	543,425	928,461
Accumulated depreciation:							
As at 1 January 2013	—	31,460	7,271	65,701	12,294	—	116,726
Charge for the period	—	—	5,281	—	—	—	5,281
Written back on disposals	—	—	(3,190)	—	—	—	(3,190)
As at 30 June 2013	—	31,460	9,362	65,701	12,294	—	118,817
Carrying amount:							
As at 30 June 2013 (unaudited)	221,367	115	19,547	23,088	2,102	543,425	809,644
As at 31 December 2012 (audited)	221,367	115	19,438	23,088	2,102	508,803	774,913

10. INVENTORIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Raw materials	35,703	22,840
Work-in-progress	10,703	8,680
Finished goods	50,934	19,640
	97,340	51,160
Less: Allowance for inventories	(11,432)	(11,448)
	85,908	39,712

11. TRADE RECEIVABLES

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.

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 to 90 days	59,870	194,666
91 to 180 days	13,910	3,167
181 to 365 days	4,383	4,868
Over 1 year	2,677	3,713
Gross trade receivables	80,840	206,414
Less: Allowance for impairment losses	(2,611)	(2,472)
	78,229	203,942

12. TRADE PAYABLES

The following is the ageing analysis of trade payables:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 to 90 days	73,610	195,924
91 to 180 days	1,987	637
181 to 365 days	1,850	841
Over 1 year	224	2,327
	77,671	199,729

13. BANK BORROWINGS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Secured bank borrowings	1,791,500	1,594,980
At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:		
On demand or within one year	937,500	906,000
After one year but within two years	222,000	210,000
After two years but within five years	632,000	478,980
	854,000	688,980
	1,791,500	1,594,980

14. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid: At 1 January 2012, 31 December 2012 and 30 June 2013	1,233,144,000	123,314
Of which:		
Domestic Shares of RMB0.1 each	924,792,000	92,479
Overseas listed H Shares of RMB0.1 each	308,352,000	30,835
	1,233,144,000	123,314

Domestic shares and overseas listed H shares are both ordinary shares of the Company. However, overseas listed H shares may only be subscribed for by, and traded in Hong Kong dollars between legal and natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC whereas domestic shares may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

15. CAPITAL COMMITMENT

As at 30 June 2013, the Group had authorised but not contracted for and contracted but not provided for were approximately RMB645.1 million (2012: RMB602.4 million) and RMB384.1 million (2012: RMB629.3 million) respectively, in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of production plants, office and research and development building and staff quarters in Guangming, Shenzhen, the PRC.

16. FOREIGN EXCHANGE RISKS

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 period under review.

17. RELATED PARTY TRANSACTION

The Group acquired 49% of the equity interest in Wuxi Company from Lhasa Feng Shui Long Investment Development Company Limited, a company owned as to 100% by Ms. Wang Rong, spouse of the Chairman Mr. Chen Zhi Lie, at the Consideration of RMB319 million.

18. CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

19. RESERVES

Movements of the reserves for the six months ended 30 June 2013 and 2012 are shown in the condensed consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2013, the Group reported an unaudited revenue of approximately RMB550.5 million (2012: RMB556.0 million), representing a decrease of 1% as compared with the same period of last year, which was slightly decrease in APA products business.

Gross Profit

For the six months ended 30 June 2013, the gross profit margin was approximately 15.4% as compared to 16.0% of the same period of last year. The decrease in gross profit margin was mainly due to slightly cost rising in raw materials and parts components.

Profit for the Period

For the six months ended 30 June 2013, the Group recorded an unaudited net profit of approximately RMB25.5 million (2012: RMB23.3 million), representing an increase of 9% as compared with the same period of last year. The increase was mainly due to rental income increase from investment properties.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2013, the Group had shareholders' funds/net assets of approximately RMB1,110 million. It mainly comprised bank balances which amounted to approximately RMB975 million, inventories of approximately RMB86 million and trade and bills receivables amounted to approximately RMB133 million. Long-term bank borrowings amounted to RMB894 million. Current liabilities of the Group mainly comprised bank borrowings of RMB898 million, trade and bills payable of approximately RMB78 million and other payables and accruals of RMB396 million. Net assets value per share of the Group is approximately RMB0.90.

As at 30 June 2013, the gearing ratio of the Group is about 68.4% (31 December 2012: 62.3%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

At 30 June 2013, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress having a total carrying amount of approximately RMB997.3 million (31 December 2012: RMB997.3million) as security for bank loans and general banking facilities granted to the Group. Except the above, there are no other charges on the Groups assets.

Employee Information

As at 30 June 2013, the Company had 1,197 full time employees and the total remuneration for the period was approximately RMB44.3 million (30 June 2012: RMB43.5 million). 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.

Capital Structure

There has been no significant change in the capital structure during the period.

Significant Investments, material acquisition or disposals

During the period of review, the Group acquired land use rights in Kunshan, the PRC, of approximately RMB245 million.

The Group had completed the acquisition of 49% equity interest in 無錫深港國際服務外包產業發展有限公司 (Wuxi SHIOC International Outsourcing Industry Development Company Limited) at a consideration of RMB319,000,000 on 30 January 2013.

Business Review

During the period under review, the Group continued to engage in research, development, manufacture and distribution of APA (Advanced Process Automation) products in the PRC, delivering on its commitment to enhancing and reforming traditional PRC industries, facilitating their fast development by using information technology and improving the quality of life of people.

The Group offers APA products in three series and solutions tailored for a number of industries including railway transportation, coal mine safety, environmental protection, communications, commerce, industrial, finance, energy, military, video frequency control and Internet.

During the period, the international environment was still severely complicated. The recovery of global economy was generally slowdown and the growth of Chinese economy was moderately declined with an entrance into a new stage of structural transformation. The Company put forward a strategy of efficiency-first in respect of the new market environment, reorganizing internal management structure and procedure by introducing a reliable management system in order to lower the expenditure as well as improve the working efficiency, thus leading the business into an orderly and reasonable development. During the period, the Company newly added two sales teams "new path (including telesales/on-line sales)" and "channel department (sales of dealers)" in the light of the new condition, constituting three

big channels together with the direct sales team, which changed the original single sales mode, realized a close connection with multi-channels. As a result, the sales effort was significantly enhanced and the capacity of market competitiveness was highly strengthened.

During the period, the project of the construction of service subcontracting base in Wuxi goes well. Some property development projects have been completed, and pre-sale has commenced. The relevant amount will be recognized as revenue upon the receipt of building ownership certificate by the Company in 2013. Upon the completion of the service sub-contracting base project of Wuxi Company, the Company will utilize some properties for its high technology research and development, manufacturing and software outsourcing business, which will actively foster the development of the Company's existing business and add new profit growth points, and it is in line with its long-term development strategy. Besides, the remaining properties could be used for sale and lease, which will bring along stable cash flow to the Company in the future years and boost its overall revenue.

During the period, the Company entered into the contract of land transfer with Kunshan Land Resources Bureau, pursuant to which, we acquired the land use right in respect of the land in Kunshan city, Jiangsu province, PRC at a price of RMB 244,623,126 (equivalent to approximately HK\$304,873,802). Such parcel of land with a site area of approximately 222,384.66 square metres was situated at south Shuangyong road and east to Dianshan Lake of Dianshan Lake town, Kunshan city, Jiangsu province, PRC. Due to its superior location and adjacent to Shanghai, and it could be used for the purpose of commercial, business and residential, thus the Company will construct new buildings, structures and ancillary facilities thereon, including low-density residential buildings, shopping malls and hotels with a floor area not less than 30 thousand square metres. As the neighboring regions around Shanghai have promising growth prospect, the strong market demands of high-quality and low-density residential buildings, shopping malls and hotels will remain strong in the future. Therefore, the Company believes that it will bring considerable revenue to enhance our overall strength upon the completion of the relevant projects.

Research & Development and Products

During the period under review, the Company built a reliable management centre in research & development centre and imported the sound management platform and system. Such system, after continuous testing and improvement, has passed inspection and applied in project management. The reliable management system can be applied to assess the product's reliability in advance, detect the potential default product in design in timely manner, and thus provide assistances for the engineer concerned in analyzing problem, tracing reasons and taking countermeasures so as to improve the reliability of the products. Moreover, such system can also create reliability-design report in standard form to satisfy the various needs of manager of research & development department and project manager as well as the clients.

During the period, our research & development centre established technical project and research team to study the common problems and technologies on the applications involved in the product and industry. The team has successively carried out such researches on specific technologies as module design, automated testing, serial protection, standard serial driver analysis. The relevant patents have been applied in this regard.

For the first half of 2013, the Company focused on the research and development of new products, including:

1. ATX series of server whole machine. This product is a high performance-to-price ration product which serves the high performance-to-price ration servers market as streaming media server, center management sever, alarm sever, sever management host machine, telecom network security and defense management system, large and comprehensive production MES system sever, data storage sever of security& defense and monitor. This product can be widely used in IT& communication industry, industrial automation, security & defense and monitor industry and inspections industry.
2. Unify dispatching desk whole machine. This product is specially designed for the unify far-end data server dispatching desk system which is able to replace the existing separate machine to customer's and realize functions of voice dispatching, communication record, inquiry information on GPS position and immediate track. It is mainly applied in controlling host machinery of interphone dispatching desk as forest alarm (森林警察), public transit (bus, taxi and so on), firemen alarm (消防警察) (such as "smart helmet"), property management.
3. Main network application platform. This product is specially designed for equipment hardware platform market in the field of network security, which is a new product for main network application platform that serves the middle hardware platform in the traditional network security (traditional firewall, gatekeeper and VPN) and application network security (next-generation firewall and application delivery). It has a higher performance-to-price ration and the special function deployment on main target customers, which serves network security industry that can be wildly used for firewall, VPN, application delivery and behavior management in internet.
4. High-end main-board. This product mainly serves middle and high end market which is able to be used for the main control equipments in high-end market such as radar, electronic countermeasures and ship-bone display and control console.

During the period, the “National Research and Develop Center of Special Computer Engineering Technology” (國家特種計算機工程技術研究中心) submitted by the Company was duly approved by relevant authority. This center has the characteristics of uniqueness and exclusiveness in the industry which means the Company has become the sole support organization for the National Research and Develop Center of Special Computer Engineering Technology. It will support continually the development in the industry, as well as enhance our state’s core competence in high-end equipment field as rail transit, ship-bone and aerospace, and the productivity for a state in key equipments through conducting important research in key technology. As a national platform, the center plays a role of connecting upstream and downstream industry, which is able to promote the realization on R&D achievements and drive on rapid development of upstream and downstream industry by integrating industry resources. Meanwhile, the Company was also approved to establish “Guangdong Key Laboratory of Industry Control System& Information Security Technology Enterprises” (廣東省工業控制系統信息安全技術企業重點實驗室), and was responsible for the third batch of special project in new-generation information technology industry planned by Development and Innovation Committee of Shenzhen in 2013.

During the period, the construction of the Company’s R&D/interim testing base in Shenzhen, China has been progressing smoothly. Integration works such as equipment installation and testing as well as completion of ancillary works are being carried out, and the R&D/interim testing base is expected to commence operation within 2013, which will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products, and will fully enhance the R&D efficiency of the Company, shorten R&D cycle and expand the production scale, and thus the overall competitive strength of the Company would be enhanced.

Product Categories

The following table provides an analysis of the Group’s turnover by products category:

	Turnover Six months ended 30 June			
	2013 (Unaudited)		2012 (Unaudited)	
	RMB'000	%	RMB'000	%
Board-type APA	163,296	29.7	168,257	30.3
Chassis-type APA	130,969	23.8	118,430	21.3
Remote data modules	6,650	1.2	8,781	1.6
APA products	300,915	54.7	295,468	53.1
Auxiliary services business	249,558	45.3	260,570	46.9
Total	550,473	100	556,038	100

Marketing and Brand

During the period under review, the Company persistently operated thorough marketing strategies, direct sales, agents and new sales model (online sales and telesales) which formed the three main sales models. As compared to the past, the Company further expanded the range of market coverage of authorized dealers and has selectively developed over 200 authorized dealers in China, and training of techniques and operation provided to these authorized dealers resulted in enhancement of their technical strength. During the period under review, the telesales model of the Company has matured, the call marketing center could promptly respond to the customers' demands and the "ecall" telesales system has perfectly connected to the online sales platform.

During the period, the Company formally launched the first high-end automatic e-mall of China, "SHOP. EVOC.CN", which started the first real B to B e-commerce platform in the high-end automatic industry. "SHOP. EVOC.CN" is positioned to provide one-stop shopping service of evoc products for customers. Customers could directly place their orders at "SHOP. EVOC. CN" with fast and efficient experience. "SHOP. EVOC.CN" will balance its online development by relying on the well-developed supplying management system, various off-line marketing channels, national wide branches and inventories. The success of "SHOP. EVOC.CN" will effectively solve the problem of increased labour costs and difficulties in management as a result of the expansion of the Company, meanwhile, through which will enhance the response efficiency of technological service before and after sales and enable the Company to capture the demands of the market immediately, thus make our products more competitive.

During the period, the Company focused on the intensification of industry influence and brand strategies by spreading technological innovation results and brand advantages to industry customers via holding 2013 Technical Innovation Event, VIP Customer Visiting and Internet Technology Communication Meeting. We also enhanced our cooperative interaction with industry media through marketing channels of emerging industries exploited by media resource as well as strengthened communication with the customers by way of holding "20th Anniversary Customer Gratitude Event". The Company organized 2013 EVOC Innovation Technology Events in main cities throughout the Country to improve EVOC brand awareness in the industry of automation, rail transportation, high-end equipment and manufacturing as well as to enhance the influence of "EVOC" brand in the fields of APA, intelligent transportation, security monitoring as well as aerospace fields.

As internet became as the main information obtaining channel, the Company took internet as the main marketing channel during the period under review. Leveraging by main search engine platforms, the Company had precisely targeted customers, fully demonstrated its brand as well

as the latest product technology and industrial solutions to target customers, meanwhile, the Company also conducted brand communication and interaction through the newly medias, such as microblog and wechat.

Outlook and Prospect

Facing the new economical situation, Chinese government will put the main point of policy adjustment on expansion of domestic demand, and to realize the structure adjustment by large scale of technology innovation. In respect of expanding investment demand, railway investment, municipal infrastructure construction, Broadband China, 4G construction as well as energy conservation and environment protection are the main investment projects clearly mentioned by the Chinese government recently. As to the adjustment of industrial structure, Chinese government will vigorously supported the transformation and upgrading of the national economy as well as the cultivation and development of strategic emerging industries, thus raising certain new and higher requirements for equipment manufacturing industry on its progress of going green, intelligent and service oriented while creating a massive potential demand in the market.

Meanwhile, in the global advocate of green environment, the introduction of a series of energy conservation and pollution reduction policies and measures accelerates the pace of structural adjustment of traditional industries in China and significantly influences future direction and development of corporations in the automation sector. During the period for Twelfth Five-Year Plan, it is expected that China's high-end equipment manufacturing industry will usher in the evolvement of important strategic opportunities, and it will become a pillar industry of national economy.

Our APA products, being a strategic emerging industry within the high-end equipment manufacturing industry, have significantly been benefited from China's Twelfth Five-Year Plan, and will probably encounter another golden era of development. The Company will adjust and control the production capacity of the original products based in market situation, while following the industrial policies and investment policies of China to pursue business opportunities being created under China's cultivation and development of strategic and emerging industries so as to expand the scale of our business and profitability. At the same time, the Company will continue to utilise its competitive advantages and resources proactively while upholding its own brand and technology innovation strategy to consistently enhance our own core competitiveness as well as establish and consolidate our leading status in the application and development of APA in China.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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.

Securities Transactions

The Board 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 2013 to 30 June 2013.

Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Wang Zhao Hui and Mr. An Jian. Mr. Ling Chun Kwok 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 in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the interim results of the Group for the six months ended 30 June 2013.

Remuneration Committee

The remuneration committee of the Company comprises one executive director Mr. Zhu Jun, and two independent non-executive directors, Mr. Wang Zhao Hui and Mr. An Jian. Mr. Wang Zhao Hui is the chairman of the remuneration committee. Written terms of reference of the remuneration committee which comply with the code provisions set out in the Code has been adopted by the Board. The remuneration 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. The remuneration committee held one meeting during the period under review.

Nomination Committee

The nomination committee of the Company comprises one executive director Mr. Chen Zhi Lie, and two independent non-executive directors, Mr. Wang Zhao Hui and Ms. Dai Lin Ying. 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' and Supervisors' Interests in the Shares, Underlying Shares and Debentures

As at 30 June 2013, the interest and short positions of the Directors, supervisors (the "Supervisors") and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position — interests in the Company

Director	Type of interests	Number of Shares		Class of Shares	Approximate percentage of holding of the relevant class of shares of the Company	Approximate percentage of holding of the total share capital of the Company
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	878,552,400		Domestic Shares (Note 1)	95.00%	71.25%
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	46,239,600		Domestic Shares (Note 2)	5.00%	3.75%

Notes:

1. These Domestic Shares are held by EVOC Hi-Tech. Holding Group Co., Ltd. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) which is owned as to 70.5% by Mr. Chen Zhi Lie (陳志列) ("Mr. Chen") and 29.5% by Ms. Wang Rong (王蓉), spouse of Mr. Chen. By virtue of Mr. Chen's holding of more than one-third interest in EVOC Hi-Tech. Holding Group Co., Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by EVOC Hi-Tech. Holding Group Co., Ltd. in the Company pursuant to Part XV of the SFO.
2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. By virtue of Mr. Chen holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) *Long position — interests in associated corporations*

Directors	Associated corporation	Type of interests	Approximate percentage of holding of the total share capital of the associated corporation
Chen Zhi Lie (陳志列)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner	70.5%
		Interest of spouse	29.5%
Wang Rong (王蓉)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner	29.5%
		Interest of spouse	70.5%

Note:

Ms. Wang Rong (王蓉) is the spouse of Mr. Chen and therefore Mr. Chen is deemed to be interested in the shares held by Ms. Wang Rong (王蓉) and Ms. Wang Rong (王蓉) is deemed to be interested in the shares held by Mr. Chen by virtue of Part XV of the SFO.

Substantial Shareholders

As at 30 June 2013, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Long positions in shares

Name of shareholder of the Company	Nature and capacity in holding shareholding interest	Number of shares	Class of Shares	Percentage	
				Percentage of the relevant class of shares	Percentage of total registered share capital
EVOC Hi-Tech. Holding Group Co., Ltd. (Note 1)	Registered and beneficial owner of the Domestic Shares	878,552,400	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列) (Note 1)	Interest of a controlled corporation	878,552,400	Domestic Shares	95.00%	71.25%
Shenzhen Haoxuntong Industry Co., Ltd. (Note 2)	Registered and beneficial owner of the Domestic Shares	46,239,600	Domestic Shares	5.00%	3.75%
Chen Zhi Lie (陳志列) (Note 2)	Interest of a controlled corporation	46,239,600	Domestic Shares	5.00%	3.75%

Note:

1. Mr. Chen is the beneficial owner of 70.5% interests in EVOC Hi-Tech. Holding Group Co., Ltd. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) and is deemed to be interested in the Domestic Shares owned by EVOC Hi-Tech. Holding Group Co., Ltd. pursuant to Part XV of the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of EVOC Hi-Tech. Holding Group Co., Ltd.
2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. By virtue of Mr. Chen holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

Save as disclosed above:

- (i) As at 30 June 2013, none of the directors, supervisors or chief executives or their respective associates has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (if any) (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest which they are taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and
- (ii) As at 30 June 2013, so far as is known to any director or supervisor, there is no person (other than a Director or supervisor or chief executive of the Company) who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Enlarged Group or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' and Supervisors' Rights To Purchases Shares

At no time during the period, the directors or supervisors (including their spouse and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meanings of the SFO Ordinance).

Share Option Scheme

Up to 30 June 2013, the Company has not adopted any share option scheme or granted any option.

Competing Interests

None of the directors, initial management shareholders or any of their respective associates (as defined in the Listing Rules) had any interests in any business which compete or is likely to compete with the business or Group, and none of them has other conflicts of interest with the Group.

Purchases, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

Sufficiency of Public Float

According to information of the Company available to the public and to the knowledge of the Board, the Board confirms that the Company has maintained a sufficient public float up to the date of this report.

Directors

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun; the independent non-executive directors of the Group are Mr. Ling Chun Kwok, Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian.

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

Shenzhen, PRC, 12 August 2013

The Company's 2013 interim results announcement and this interim report are published on the website of the Stock Exchange at (<http://www.hkex.com.hk>) and on the Company's website at (<http://www.evoc.com>).

* For identification purpose only