

* for identification purpose only

2016 Interim Report



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



FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2016 RMB'000	2015 RMB'000	Percent
Revenue	589,876	824,990	-28.5%
Other income	64,641	49,672	+30.1%
Profit attributable to equity holders of the Company	29,419	28,286	+4.0%
Earnings per share Basic (RMB)	0.024	0.023	

The Directors do not recommend payment of dividend for the six months ended 30 June 2016 (2015: 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 2016, together with the comparative unaudited results for the corresponding period in 2015, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Turnover	4	589,876	824,990
Cost of sales		(519,895)	(740,840)
Gross profit		69,981	84,150
Other income	4	64,641	49,672
Selling and distribution costs		(15,274)	(14,700)
Administrative expenses		(20,616)	(17,053)
Other operating expenses		(26,038)	(33,785)
Finance costs		(39,443)	(39,939)
Profit before income tax	6	33,251	28,345
Income tax expense	7	(3,832)	(59)
Profit and total comprehensive income for the period attributable to owners of the Company		29,419	28,286
Earnings per share — Basic and diluted	9	RMB0.024	RMB0.023



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	965,744	965,334
Investment properties		936,138	936,138
Prepaid land leases payments		44,938	45,569
Deferred tax assets		26,420	26,420
Total non-current assets		1,973,240	1,973,461
Current assets			
Inventories	11	36,299	26,909
Properties under development		674,334	653,107
Properties held for sale		947,352	906,719
Prepaid land leases payments		1,016	1,016
Trade receivables	12	87,216	105,882
Bills receivable		17,895	26,724
Other receivables, deposits and prepayments		224,644	107,992
Cash and bank balances		399,069	418,671
Total current assets		2,387,825	2,247,020
Current liabilities			
Trade payables	13	340,519	382,637
Bills payable	13	687	265
Other payables, accruals and receipts in advance		262,798	278,067
Bank borrowings	14	1,377,800	1,218,400
Income tax payable		6,787	13,226
Total current liabilities		1,988,591	1,892,595
Net current assets		399,234	354,425



	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total assets less current liabilities		2,372,474	2,327,886
Non-current liabilities			
Bank borrowings	14	330,564	315,395
Deferred tax liabilities		268,382	268,382
Total non-current liabilities		598,946	583,777
NET ASSETS		1,773,528	1,744,109
CAPITAL AND RESERVES			
Share capital	15	123,314	123,314
Reserves		1,650,214	1,620,795
TOTAL EQUITY		1,773,528	1,744,109



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	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	Total RMB'000
At 1 January 2016	123,314	8,586	79,942	405,591	1,221	1,125,455	1,744,109
Profit and total comprehensive income for the period	—	—	—	—	—	29,419	29,419
At 30 June 2016 (unaudited)	123,314	8,586	79,942	405,591	1,221	1,154,874	1,773,528
At 1 January 2015	123,314	8,586	79,942	317,880	1,279	914,231	1,445,232
Profit and total comprehensive income for the period	—	—	—	—	—	28,286	28,286
At 30 June 2015 (unaudited)	123,314	8,586	79,942	317,880	1,279	942,517	1,473,518



CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
NET CASH (USE IN)/GENERATED FROM OPERATING ACTIVITIES	(46,064)	34,586
NET CASH USED IN INVESTING ACTIVITIES	(30,694)	(24,551)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	57,681	(147,681)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,077)	(137,646)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	394,889	250,155
CASH AND CASH EQUIVALENTS AT END OF PERIOD	375,812	112,509
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	399,069	114,104
Less: Pledged bank balances	(23,257)	(1,595)
CASH AND CASH EQUIVALENTS	375,812	112,509



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 Special Computer, trading of electronic products and accessories and development of Science and Technology Industry Park in the PRC. Special Computer 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. Special Computer 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 2016 have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and 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 2016. 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Turnover		
Sales of Special Computer products	178,629	198,779
Sales of electronic products and accessories	311,633	626,211
Sales of properties	99,614	—
	589,876	824,990
Other income		
Gross rentals from investment properties	54,850	37,553
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	(17,576)	(13,300)
	37,274	24,253
Bank interest income	1,663	622
Value-added tax ("VAT") concession	2,056	11,541
Government subsidies	18,340	10,081
Repairs and maintenance income	1,522	1,064
Sub-contracting income	2,418	1,274
Miscellaneous income	1,302	1,187
Foreign exchange differences, net	66	(350)
	64,641	49,672
	654,517	874,662

5. 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.



5. SEGMENT INFORMATION (CONTINUE)

The Group has two reportable 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, manufacturing and distribution of Special Computer products and trading of electronic accessories
- Sales of development properties

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.

(a) Information about profit or loss, assets and liabilities

For the six months ended 30 June 2016

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	490,262	99,614	589,876
Reportable segment profit/(loss)	12,720	(1,613)	11,107
As at 30 June 2016			
Reportable segment assets	1,250,668	1,910,398	3,161,066
Reportable segment liabilities	966,755	1,011,785	1,978,540

For the six months ended 30 June 2015

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	824,990	—	824,990
Reportable segment profit/(loss)	38,239	(18,280)	19,959
As at 30 June 2015			
Reportable segment assets	1,227,109	1,687,304	2,914,413
Reportable segment liabilities	1,290,567	568,522	1,859,089



5. SEGMENT INFORMATION (CONTINUE)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Reportable segment profit	11,107	19,959
Other income	64,641	49,672
Unallocated corporate expenses	(3,054)	(1,347)
Finance costs	(39,443)	(39,939)
Profit before income tax	33,251	28,345

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	443,320	735,235
Cost of inventories properties as an expense	76,575	—
Depreciation of property, plant and equipment	8,723	10,754
Amortisation of prepaid land leases payment	631	631
Loss/(Gain) on disposal of property, plant and equipment, net	66	(4)
Minimum lease payments under operating leases	2,544	4,035
Research and development costs	22,436	29,202
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	38,459	36,636
Contributions to retirement benefits schemes	3,324	3,541



7. INCOME TAX EXPENSES

In accordance with the PRC Enterprise Income Tax Law, the PRC 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 utilisation of tax losses brought forward and are entitled to 50% relief on the income tax in the following three years. Certain of these subsidiaries are exempted from income tax while others are subject to income tax rate of 25% (2015: 12.5% to 25%) during the reporting period.

The company and 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.

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.

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the six month ended 30 June 2016 and 2015 as there were no estimated assessable profits arose for both periods.

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2016 (2015: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 30 June 2016 is based on the unaudited profit for the six months ended 30 June 2016 of approximately RMB29,419,000 (2015: approximately RMB28,286,000) and the weighted average number of domestic and H shares in issue of 1,233,144,000 (2015: 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 2016 and 2015.



10. PROPERTY, PLANT AND EQUIPMENT

	Land and 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 2016	749,462	39,701	27,322	87,440	14,347	177,037	1,095,309
Additions	—	8,515	—	1,363	4	—	9,882
Disposals	(6,059)	—	(14)	(705)	—	—	(6,778)
As at 30 June 2016	743,403	48,216	27,308	88,098	14,351	177,037	1,098,413
Accumulated depreciation:							
As at 1 January 2016	—	34,229	12,244	71,002	12,500	—	129,975
Charge for the period	4,367	1,273	1,554	1,410	119	—	8,723
Written back on disposal	(5,418)	—	(13)	(598)	—	—	(6,029)
As at 30 June 2016	(1,051)	35,502	13,785	71,814	12,619	—	132,669
Carrying amount:							
As at 30 June 2016 (unaudited)	744,454	12,714	13,523	16,284	1,732	177,037	965,744
As at 31 December 2015 (audited)	749,462	5,472	15,078	16,438	1,847	177,037	965,334

11. INVENTORIES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Raw materials	21,389	21,409
Work-in-progress	5,343	6,184
Finished goods	14,028	3,777
Less: Allowance for inventories	40,760 (4,461)	31,370 (4,461)
	36,299	26,909



12. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	85,783	14,283
91 to 180 days	416	7,065
181 to 365 days	1,217	84,322
Over 365 days	131	385
Gross trade receivables	87,547	106,055
Less: Allowance for impairment losses	(331)	(173)
	87,216	105,882

13. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	340,519	382,637
Bills payable	687	265
	341,206	382,902



13. TRADE AND BILLS PAYABLES (CONTINUE)

The following is the ageing analysis of trade and bills payables:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	205,067	367,195
91 to 180 days	71,322	2,019
181 to 365 days	11,974	3,601
Over 365 days	52,843	10,087
	341,206	382,902

14. BANK BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Secured bank borrowings	1,708,364	1,533,795

At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
On demand or within one year	1,377,800	1,218,400
After one year but within two years	150,000	226,400
After two years but within five years	180,564	88,995
	330,564	315,395
	1,708,364	1,533,795



15. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid:		
At 31 December 2015 and 30 June 2016	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.

16. CAPITAL COMMITMENT

As at 30 June 2016, the Group had capital commitment authorised but not contracted for and contracted but not provided for were nil (2015: approximately nil) and approximately RMB829.1 million (31 December 2015: approximately RMB394.9 million) respectively, mainly in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of commercial and residential properties in Kunshan, Jiangsu, the PRC and construction of production plants, office and staff quarters in Hangzhou, Zhejiang, the PRC.

17. RELATED PARTY TRANSACTION

During the period under review, the Group did not have any material related party transactions.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the six months ended 30 June 2016, the Group reported an unaudited revenue of approximately RMB590 million (2015: approximately RMB825.0 million), representing a decrease of approximately 28.5% as compared with the same period of last year, which was mainly due to decrease both in sales of special computers, electronic products and accessories.

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)	Change Percent
Turnover			
Sales of Special Computer products	178,629	198,779	-10.1%
Sales of electronic products and accessories	311,633	626,211	-50.2%
Sales of properties	99,614	—	—
	589,876	824,990	-28.5%

Other income

For the six months ended 30 June 2016, the Group recorded an unaudited other income RMB64.6 million (2015: RMB49.7 million), representing an increase of approximately 30.1% as compared with the same period of last year. The increase was mainly due to rental income growth from investment properties.

Gross Profit

For the six months ended 30 June 2016, the gross profit margin was slightly increased to approximately 11.9% as compared to approximately 10.2% of the same period of last year.

Profit for the Period

For the six months ended 30 June 2016, the Group recorded an unaudited net profit of approximately RMB29.4 million (2015: approximately RMB28.3 million), representing an increase of approximately 4% as compared with the same period of last year. The increase was mainly due to increase in rental income

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2016, the Group had shareholders' funds/net assets of approximately RMB1,774 million. It mainly comprised bank balances which amounted to approximately RMB399 million, inventories of approximately RMB36 million, properties under development approximately RMB674 million and trade and bills receivables amounted to approximately RMB105 million. Long-term bank borrowings



amounted to approximately RMB331 million. Current liabilities of the Group mainly comprised bank borrowings of approximately RMB1,378 million, trade and bills payable of approximately RMB341 million and other payables and accruals of approximately RMB263 million. Net assets value per share of the Group is approximately RMB1.44.

As at 30 June 2016, the gearing ratio of the Group is about approximately 59.3% (31 December 2015: approximately 58.7%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

At 30 June 2016, 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 RMB1,533.8 million (31 December 2015: approximately RMB1,524.7 million) 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 2016, the Company had 914 full time employees and the total remuneration for the period was approximately RMB38.5 million (30 June 2015: approximately RMB36.6 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.

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities.

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.

Capital Structure

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

Significant Investment, material acquisitions and disposals

The Group has no significant investment, material acquisitions or disposals during the period.

Business Review

During the period under review, the Company continued to engage in the research, development, manufacture and sale of special computer products in the PRC. We dedicated efforts to enhance and transform the traditional industries in the PRC, and to facilitate the development of these industries towards the direction of information, intelligence, digitalization and automation as soon as possible, with an aim to improve the living quality of people. On top of this, the Company is also



engaged in the trading of electronic products and accessories as well as the development of science and technology industrial park. The Company has 23 years of on-going operation history since its establishment in 1993. The Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong on 10 October 2003 and was formally transferred to the Main Board of the Stock Exchange of Hong Kong on 12 July 2010, with the stock code 02308.HK. We are now the sole listed company in the specialized computer industry in the PRC.

The Company offers special computer products in three series and solutions tailored for a number of industries. These products are widely applied in a wide variety of sectors including railway transportation, coal mine safety, environmental protection, communications, commerce, industry, finance, energy, military, video frequency control and internet.

Under the background of global economic slowdown and deepening of domestic restructuring, the PRC economy growth has been within reasonable range, maintaining a trend of overall stability with steady progress. There exists a huge potential with a stably progressing economy, the development of new type of industrialization, information technology, urbanization, modernization of agriculture are deep in progress, and it contains strong demand for increasing domestic demand. The economic development status under the “new norm” has forced manufacturing to transform and upgrade, additionally the Chinese government actively pushes a series of policies such as “Great Ocean Power”, “One Belt and One Road”, “Made in China 2025”. These measures have brought extensive opportunities for the Chinese special computer industry.

In order to capture market opportunities, the Company has increased R&D and market development in the core fields of national economy such as rail transportation, nuclear power, wind-power, robotics, high speed rail and metro, with more rapid development in rail transportation products and human-machine interface products. Our company has maintained the direction of “self-controllable, deep integration with industry”, and continues to research and develop industry disciplines such as smart manufacturing, big-data, high-end manufacturing, new energy, rail transportation, ocean and robotics, in order to further enhance the market competitiveness of our products.

During the period, the Company launched the development strategy of “marching towards a bright era by prioritizing effectiveness and efficiency”. The Company intends to enhance profits per capita and corporate profitability through the enhancement of delivery management and control, optimization of operation procedures, reduction in production costs, full implementation of channel delivery, and deepening of the industrial customization. In response to the changes in market environment, the Company adhered to the strategy of prioritizing quality, continued to invest resources to keep and improve product quality, and satisfied the product quality requirements of market and customers by enhancing the intelligent level of our production system. At the same time, the Company adhered to the diversified sales models including direct sales, agents, online sales and telephone sales, and enhanced the visibility and reputation of “EVOC” brand to enhance our core competitiveness.



Science and Technology Industrial Park Development

During the first half of 2016, sales of the real estate projects of the Group continue created excellent achievement. The total area sold reached over 8,000 sq.m. and the gross sales revenue amounted to approximately RMB100,000,000, including approximately RMB5,000,000 arising from sales of section A1 of Wuxi SHIOC International Outsourcing Base (無錫深港國際) and approximately RMB95,000,000 as the sales proceeds from phase I of Dianshan Lake Property Base project in Kunshan city, Jiangsu. Wuxi SHIOC International Outsourcing Base section A1 now has completed and covers a floor area of approximately 200,000 sq.m.. The first phase of Dianshan Lake Property Base project in Kunshan city, Jiangsu Province has fully completed in 2015 with a total gross floor area of approximately 44,000 sq.m..

Property Investment

By the end of June 2016, gross rentable area of the Group was approximately 240,000 sq.m., of which the newly increased rentable area was approximately 80,000 sq.m. during January to June, mainly due to the rentable area of EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen increased by approximately 65,000 sq.m., the rentable area of Shenzhen EVOC Technology Building increased by approximately 8,800 sq.m., and the rentable area of Wuxi SHIOC International Outsourcing Base section A1 increased by approximately 6,000 sq.m.. The total revenue from property rent amounted to approximately RMB55,000,000 during January to June. As a grade A office building under construction, EVOC City Plaza in Hangzhou has completed the installation of external glass curtain walls and is now under interior decoration, and will be in service at the end of 2016 as planned, which then will increase approximately 67,000 sq.m. to the rentable area of the Group. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed at the beginning of 2014, and the gross floor area is approximately 245,000 sq.m.. It includes a 22-floor research and development office building, two buildings of research and development plants and one apartment block with a gross floor area of approximately 58,000 sq.m., 92,000 sq.m. and 55,000 sq.m., respectively. Besides, it owns an underground parking lot occupying approximately 40,000 sq.m..

Research & Development and Products

During the period, with a focus on hot issues of the industry and key technological breakthroughs, we launched related investigation on the industry and issued reports thereon. The reports served to provide the personnel of our R&D and product departments better understanding of the industry and form a basis and reference from which the Company's future product lines can be framed. During the period under review, the Company carried out research and analysis on major issues such as intelligent manufacturing, industry 4.0, homemade hardware and software and industrial big data. In addition, the Company established specific group for certain technological issues at the R&D center, with the aim of conducting research on the common issues and technologies in relation to product application and industrial application. The Company focused on the research on specific technologies, such as the research on access performance of DOM information in metro industry, technology of remote display and control system, special topic on port redirection terminal technology, and E-CLOUD intelligent monitoring and demonstration system.



The Company carried out the intellectualized reconstruction by undertaking the MIIT special project on new intelligent manufacturing model. The project aimed to achieve the popularization and application of intelligent manufacturing equipment and systems in intelligent plant of special computer, form the integrated innovation in such key links as R&D, production, supply and sales, establish the new model of automated and intelligent manufacturing, and realize the flexible manufacturing system supporting different varieties and small batches as well as the automated and intelligent manufacturing of high-quality special computer products.

During the period under review, the Company accelerated the pace of localization strategy by undertaking the key industrial transformation and upgrading project of MIIT. By analyzing the key and core links involving industrial control security architecture, the project centered on the industrial control security and bidding contents to develop the industrial control computer and industrial control safety protection products based on safe and reliable CPU chips. The project aimed to achieve the industrialization and application of industrial control computer based on safe and reliable CPU chips and the industrial control defensive products against the information security threats used in various industrial settings, so as to capture key generic technologies and enhance the technical level of the industry, develop the internationally-advanced safe and reliable industrial control products, form the protection system of independent intellectual property rights, replace the imported technologies and products, fill the domestic void, and promote the safe, independent and controllable development of China.

New key products of the Company under research and development during January to June 2016 include:

1. High-performance and multi-function industrial tablet

The product is a 17" high-performance and multi-function industrial tablet satisfying the market demands on high-end MES, comprehensive monitoring and machine vision equipment. In the brand-new serial interface circuit and software design, the product allows to arbitrarily set the serial interface mode without disassembling the machine. The large vision, high resolution and high performance also help to boost the high-end intelligent manufacturing.

2. Small compact wall-mounted machine

The product is a small compact wall-mounted machine with compact size, high performance and cost-effective characteristics. Comparable to the non-ventilated machine, it breaks the record of the minimum size of IPC case in the industry. In addition, its unique design makes the maintenance, overhaul, disassembly and assembly convenient and efficient, thus ensuring the stable operation of system in the transportation and vibration. The product can be used in highway, self-service terminals, automatic production, automatic detection and other fields.



3. Cost-effective single industrial server

The product is a highly cost-effective industrial server focusing on small and medium-sized applications. The product can be widely used in the mine supporting system of safety supervision and decision-making, GPRS vehicle scheduling and control system, video acquisition and storage system, and enterprise management platform for internet usage behaviors.

4. Main board with extremely powerful computing capacity

The product has powerful computing capacity, and can be widely used in communication, automation, medical care and other fields.

The Company kept in close step with the Blue Ocean Strategy advocated by China and Shenzhen, and actively promoted the development of marine electronic information industry by cooperating with Shenzhen Ocean Industry Association (SOIA). In response to the construction demands of Great Ocean Power and the fierce international competition, by leveraging the wide coverage of electronic information industry in Shenzhen, under the direction of "Made in China 2025" and "Great Ocean Power Strategy" and with marine electronic equipment as a starting point, the Company established project demonstration bases through undertaking the SOIA innovative demonstration base project in the electronic information industry (深海電子信息產業創新示範基地項目) of Economy, Trade and Information Commission of Shenzhen Municipality, centering on the major engineering and technological research in marine electronic information industry, and the public services and innovative industry cluster of marine electronic information, and combing, optimizing, refining, integrating the existing basic resources. The demonstration base includes exhibition space, public service space and maker space, and can be used to carry out seminar, innovative entrepreneurship service and communication of science and technology activities. Upon the completion of the project, it would serve over 50 enterprises by popular science exhibition, provision of venues and facilities for makers, creative share, resources docking and entrepreneurship guidance, organize more than 50 industrial activities, and form standard service process system and guarantee mechanism.

Marketing and Brand

The Company adopted the diversified sales models including direct sales, agents, online sales and telephone sales. The Company has focused on occupying the mind of a new generation of "85s & 90s youngsters", and basing on the integrating brand marketing with product marketing. The Company will improve the visibility and reputation of "EVOC" brand through the seamless joint of online marketing (mainly through search engine promotion and official Wechat operation) and offline marketing (mainly through seminars and exhibitions). In terms of online marketing, the Company made full advantage of the fast transmission of the emerging Internet media, continued to optimize the search engine promotion tools, strengthened the accurate promotion efforts of third-party cooperation media, improved the operating efficiency of its official Wechat, and increased the density and frequency of online marketing activities, so as to effectively improve the influence of EVOC brand. In terms of seminars, the Company continued to focus on thematic seminars regarding specific



industries, specific objects and proposed industries covered by specific production line, network seminars and theme planning with the main content of media feature coverage to speak for the industry, and capitalized search engines, We-media platform, industry media and other Internet connectors for dissemination. In terms of exhibitions, the Company actively participated in professional exhibitions in the intelligent manufacturing field, and accurately promoted its new and key products in virtue of web media. In terms of the marketing reform, the Company combined the thematic marketing of key products with the web promotion of conventional products, confirmed four product line frameworks including intelligent manufacturing, high-end equipment, communication security and machine vision, followed closely the key progress in localization and information security, actively explored new promotion measures, paid attention to the marketing psychological changes of audiences in key marketing industry, and increased investment in network security, intelligent equipment, wind power, petrochemical upgrade, nuclear power, metro and rail transportation.

The key measures and achievements realised by the Company in respect of marketing are as follows:

1. The Company planned and organized "The Third Anniversary of EVOC Commerce Mall" (商城三周年), "Industrial Control Festival on 18 June" (6.18工控節) and other thematic promotion activities by leveraging search engines, WeChat and network media in conjunction with festival marketing, topic marketing and other promotion measures, which stimulated the popularity of EVOC Commerce Mall to make the customer groups expand rapidly, and powerfully supported the public praise of "EVOC" brand in virtue of the excellent high-quality and excellent services on the online mall.
2. The Company utilized WeChat promotion, search engine promotion, web promotion, H5 promotion and other micro-marketing activities in light of the application of new products in intelligent manufacturing, high-end equipment, network security, localization and other key fields, as a result of which the Company increased exposure and influence of EVOC's brand effectively.
3. The Company increased the investment in the micro-marketing continually, conducted the combined dynamic adjustment of search engine promotion tools such as Baidu, Google, 360 and sm.cn, deeply cooperated with new media platforms in the industry, improved the proportion of SEO investment, and continuously improved the exposure rate of EVOC brand.
4. The Company held six "door-to-door seminars" in five provinces of Eastern China to accurately recommend the new homemade products and proposals of EVOC, and shortened the distance with key target customers. The Company also held elite training camps in Shanghai, Beijing, Shenzhen and Jinan to enhance the contribution efforts of marketing channel partners.



5. The Company hosted the second meeting on drafting standards of “Automation System Industrial Embedded Intelligent Controller”, at which about 30 experts from National Technical Committee on Industry Process Measurement and Control of SAC were present and reviewed the standard draft submitted by EVOC. The draft was highly praised by the experts attending the meeting, which was conducive to enhancing our leadership in the implementation of Made in China 2025 plan.

Outlook and Prospects

Looking forward to the future, the Chinese economy is expected to be in a transitional period during which the old growth drivers are undergoing orderly adjustment while the new growth drivers are thriving. With China’s industrial structure, pattern of demand and regional structure continuing to improve and stronger support from the service industry and domestic demand in underpinning stable economic growth, China’s economy development will become more balanced. With the implementation of the national strategy of “Made in China 2025” recently, as one of the key fields of the strategic emerging industries, the roles of intelligent manufacturing in the industrial transform and upgrade are more and more important. Owing especially to the booming cloud-computing-platform-based service market, the big data will enter into a stage of application. The high-end intelligent equipment market will enter into a period of rapid development due to higher demand for reliability, safety and independence from the market. Meanwhile, the increasing demand for localization in the Chinese market as well as greater importance being paid to network information security will also present new market opportunities for the Company’s special computer products.

The Company will leverage on its leading edge in terms of brand and quality of special computers, as well as achieve business growth by taking advantage of the opportunities arising from the demand for localization of manufacture and intelligent manufacture. We will remain focusing on electronic equipment, high-speed rail and construction machinery. We will utilize the leading embedded miniature machine and sealing machine products in China to provide various industrial computing solutions for intelligent equipment and manufacturing information systems, which will help to realize the intelligent manufacturing gradually from the equipment automation, plant digitalization and intelligentization of industrial chain.

By offering a full array of high-end network products, the Company will meet the demand for network information security. With a focus on tactic customers, we will target on high-end market. Meanwhile, we will leverage the initiated advantage of industrial server to improve its awareness, and to capture the opportunities arising from the growth of the E-cloud computing/big data market, thus further increasing our market share on the industrial server segment.

The Company will adjust embedded computer and human-machine interface strategies, to better satisfy demand growth in smart-device market, with emphasis being put on industries such as transportation (rail, highway, airport), environmental protection (exhaust, water, de-sulphur) and new energies (wind, nuclear). The Company will also seize the opportunities arising from the growth in demand for automated equipment as a result of industry upgrades, utilizing our advantage of first-



in-country machine vision device to win the opportunity brought by automated device demand growth resulted from industry upgrade, with emphasis being put on industrial robots, electronics manufacturing and car manufacturing industry.

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 2016 to 30 June 2016.

Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Yu Tat Chi, Mr. Dong Lixin and Mr. Zhang Da Ming. Mr. Yu Tat Chi 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 2016.

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. Dong Lixin and Mr. Zhang Da Ming. Mr. Dong Lixin is the Chairman of the remuneration and review committee. Written terms of reference of the remuneration and review committee which comply with the code provisions set out in the Code has been adopted by the Board. 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.



Nomination Committee

The nomination committee of the Company comprises one executive director Mr. Chen Zhi Lie, and two independent non-executive directors, Mr. Dong Lixin and Mr. Wen Bing. 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 2016, 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 (Note 1)	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

Notes:

- I. These Domestic Shares are held by EVOC Hi-Tech. Holding Group 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 2016, 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 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 2016, 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 2016, 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 2016, 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. Geng Wen Qiang; the independent non-executive directors of the Group are Mr. Yu Tat Chi, Mr. Wen Bing, Mr. Dong Lixin and Mr. Zhang Da Ming.

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

Shenzhen, PRC, 11 August 2016

The Company's 2016 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*