

* for identification purpose only



2017 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
	2017 RMB'000	2016 RMB'000	Percent
Revenue	501,248	589,876	-15.0%
Other income	71,541	64,641	+10.7%
Profit attributable to owners of the Company	27,768	29,419	-5.6%
Earnings per share Basic (RMB)	0.023	0.024	

The Directors do not recommend payment of dividend for the six months ended 30 June 2017 (2016: Nil).

FINANCIAL RESULTS

The Board of directors (the "Directors") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, together with the comparative unaudited results for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Turnover	4	501,248	589,876
Cost of sales		(449,219)	(519,895)
Gross profit		52,029	69,981
Other income	4	71,541	64,641
Selling and distribution costs		(14,662)	(15,274)
Administrative expenses		(22,675)	(20,616)
Other operating expenses		(33,347)	(26,038)
Finance costs		(21,108)	(39,443)
Profit before income tax	6	31,778	33,251
Income tax expense	7	(4,010)	(3,832)
Profit and total comprehensive income for the period attributable to owners of the Company		27,768	29,419
Earnings per share — Basic and diluted	9	RMB0.023	RMB0.024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	815,220	826,856
Investment properties		1,631,026	1,619,097
Prepaid land leases payments		44,553	44,553
Deferred tax assets		26,957	23,025
Total non-current assets		2,517,756	2,513,531
Current assets			
Inventories	11	82,620	31,179
Properties under development		1,232,477	1,014,040
Properties held for sale		501,843	528,043
Prepaid land leases payments		1,016	1,016
Trade receivables	12	90,636	6,465
Bills receivable		21,643	30,888
Other receivables, deposits and prepayments		112,859	138,798
Income tax recoverable		—	3,932
Cash and bank balances		302,567	426,562
Total current assets		2,345,661	2,180,923
Current liabilities			
Trade payables	13	620,472	468,350
Bills payable	13	60,000	60,000
Other payables, accruals and receipts in advance		258,947	241,078
Bank borrowings	14	799,500	846,400
Income tax payable		10,969	24,295
Total current liabilities		1,749,888	1,640,123
Net current assets		595,773	540,800

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets less current liabilities		3,113,529	3,054,331
Non-current liabilities			
Bank borrowings	14	731,586	700,156
Deferred tax liabilities		335,718	335,718
Total non-current liabilities		1,067,304	1,035,874
NET ASSETS		2,046,225	2,018,457
CAPITAL AND RESERVES			
Share capital	15	123,314	123,314
Reserves		1,922,911	1,895,143
TOTAL EQUITY		2,046,225	2,018,457

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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 2017	123,314	8,586	79,942	429,562	1,037	1,376,016	2,018,457
Profit and total comprehensive income for the period	—	—	—	—	—	27,768	27,768
At 30 June 2017 (unaudited)	123,314	8,586	79,942	429,562	1,037	1,403,784	2,046,225
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

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	30,737	(46,064)
NET CASH USED IN INVESTING ACTIVITIES	(117,415)	(30,694)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(37,317)	57,681
NET DECREASE IN CASH AND CASH EQUIVALENTS	(123,995)	(19,077)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	426,562	394,889
CASH AND CASH EQUIVALENTS AT END OF PERIOD	302,567	375,812
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	302,567	399,069
Less: Pledged bank balances	—	(23,257)
CASH AND CASH EQUIVALENTS	302,567	375,812



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 products, 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, 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, but 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 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, 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 2017. The adoption of such standards, amendment and interpretations did not have material effect on these unaudited condensed consolidated financial statements.

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Turnover		
Sales of Special Computer products	181,561	178,629
Sales of electronic products and accessories	298,714	311,633
Sales of properties	20,973	99,614
	501,248	589,876
Other income		
Gross rentals from investment properties	74,513	54,850
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	(35,316)	(17,576)
	39,197	37,274
Bank interest income	1,638	1,663
Value-added tax ("VAT") concession	2,698	2,056
Government subsidies	20,934	18,340
Repairs and maintenance income	1,520	1,522
Sub-contracting income	3,976	2,418
Miscellaneous income	1,446	1,302
Foreign exchange differences, net	132	66
	71,541	64,641
	572,789	654,517

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.

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

5. SEGMENT INFORMATION (CONTINUED)

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 2017

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	480,275	20,973	501,248
Reportable segment profit/(loss)	2,696	(14,753)	(12,057)
As at 30 June 2017			
Reportable segment assets	892,507	2,659,238	3,551,745
Reportable segment liabilities	537,163	1,199,984	1,737,147

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

5. SEGMENT INFORMATION (CONTINUED)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Reportable segment profit	(12,057)	11,107
Other income	71,541	64,641
Unallocated corporate expenses	(6,598)	(3,054)
Finance costs	(21,108)	(39,443)
Profit before income tax	31,778	33,251

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	435,052	443,320
Cost of inventories properties as an expense	14,168	76,575
Depreciation of property, plant and equipment	23,641	8,723
Amortisation of prepaid land leases payment	631	631
(Gain)/Loss on disposal of property, plant and equipment, net	(1)	66
Minimum lease payments under operating leases	779	2,544
Research and development costs	28,770	22,436
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	37,711	38,459
Contributions to retirement benefits schemes	3,288	3,324

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% (2016: 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.

7. INCOME TAX EXPENSES (CONTINUED)

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% (2016: 16.5%) on the estimated assessable profits during the reporting period. Hong Kong profits tax is calculated at 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 2017 and 2016 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 2017 (2016: 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 2017 is based on the unaudited profit for the six months ended 30 June 2017 of approximately RMB27,768,000 (2016: approximately RMB29,419,000) and the weighted average number of domestic and H shares is issue of 1,233,144,000 (2016: 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 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 1 January 2017	516,603	47,348	27,302	88,728	14,769	271,759	966,509
Additions	—	8,250	—	4,074	—	—	12,324
Disposals	—	—	(15)	(470)	—	—	(485)
As at 30 June 2017	516,603	55,598	27,287	92,332	14,769	271,759	978,348
Accumulated depreciation:							
As at 1 January 2017	—	37,578	15,331	74,089	12,655	—	139,653
Charge for the period	4,349	16,346	1,551	1,307	88	—	23,641
Written back on disposal	—	—	(14)	(152)	—	—	(166)
As at 30 June 2017	4,349	53,924	16,868	75,244	12,743	—	163,128
Carrying amount:							
As at 30 June 2017 (unaudited)	512,254	1,674	10,419	17,088	2,026	271,759	815,220
As at 31 December 2016 (audited)	516,603	9,770	11,971	14,639	2,114	271,759	826,856

11. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Raw materials	77,831	25,713
Work-in-progress	6,349	5,513
Finished goods	4,465	5,978
	88,645	37,204
Less: Allowance for inventories	(6,025)	(6,025)
	82,620	31,179

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 to 90 days	90,792	4,642
91 to 180 days	53	175
181 to 365 days	337	451
Over 365 days	186	1,197
Gross trade receivables	91,368	6,465
Less: Allowance for impairment losses	(732)	—
	90,636	6,465

13. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	620,472	468,350
Bills payable	60,000	60,000
	680,472	528,350

The following is the ageing analysis of trade payables:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 to 90 days	469,517	434,539
91 to 180 days	96,140	11,399
181 to 365 days	34,075	11,194
Over 365 days	20,740	11,218
	620,472	468,350

14. BANK BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Secured bank borrowings	1,531,086	1,546,556

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

On demand or within one year	799,500	846,400
After one year but within two years	400,000	598,400
After two years but within five years	331,586	101,756
	1,531,086	1,546,556

15. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid:		
At 31 December 2016 and 30 June 2017	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 2017, the Group had capital commitment contracted but not provided approximately RMB636.7million (2016: approximately RMB456.0 million) 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 2017, the Group reported an unaudited revenue of approximately RMB501.2 million (2016: approximately RMB589.9 million), representing a decrease of approximately 15.0% as compared with the same period of last year, which was mainly due to decrease both in sales of properties.

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)	Change percent
Turnover			
Sales of Special Computer products	181,561	178,629	1.6%
Sales of electronic products and accessories	298,714	311,633	-4.1%
Sales of properties	20,973	99,614	-78.9%
	501,248	589,876	

Other income

For the six months ended 30 June 2017, the Group recorded an unaudited other income RMB71.5 million (2016: RMB64.6 million), representing an increase of approximately 10.7 % 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 2017, the gross profit margin was slightly decreased to approximately 10.4% as compared to approximately 11.9 % of the same period of last year.

Profit for the Period

For the six months ended 30 June 2017, the Group recorded an unaudited net profit of approximately RMB 27.8 million (2016: approximately RMB 29.4 million), representing a decrease of approximately 5.6% as compared with the same period of last year. The decrease was mainly due to increase in research & development cost.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2017, the Group had shareholders' funds/net assets of approximately RMB2,046 million. It mainly comprised bank balances which amounted to approximately RMB303 million, inventories of approximately RMB83 million, properties under development approximately RMB1,232 million and trade and bills receivables amounted to approximately RMB112 million. Long-term bank borrowings amounted to approximately RMB732 million. Current liabilities of the Group mainly comprised bank



borrowings of approximately RMB800 million, trade and bills payable of approximately RMB680 million and other payables and accruals of approximately RMB259 million. Net assets value per share of the Group is approximately RMB1.66.

As at 30 June 2017, the gearing ratio of the Group is about approximately 57.9% (31 December 2016: approximately 57.0%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

At 30 June 2017, 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 RMB1,708.4 million (31 December 2016: approximately RMB1,638.0 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 2017, the Company had 836 full time employees and the total remuneration for the period was approximately RMB37.7 million (30 June 2016: approximately RMB38.5 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.

Contingent Liabilities

As at 30 June 2017, 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 24 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.

The Company is one of the leading manufacturers of special computer products in the PRC, which supplies more than 400 types of special computer products widely applied in areas including telecommunication, industrial, electricity generation, video frequency control, transportation, Internet, commerce and finance.

Through the sales network of the Company's subsidiaries, branches, offices, representative offices and agents widespread in several provinces and autonomous regions of the PRC, an extensive distribution network has been established. The Company has over 5,000 customers including authorized distribution agents in the PRC, system integrators, construction and building supervisory agents, soft developers and IT manufacturers.

The PRC economy extends the positive trend of overall stability with steady progress in its development. Along with the constant progress in public innovation and people's entrepreneurship, new industries, industrial ecosystems, modes and drivers continue to thrive. The industrial structure is also upgraded continuously. The Chinese government actively pushes a series of policies such as "Great Ocean Power", "One Belt and One Road", "China Manufacturing 2025", etc. 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 efforts in the core fields of national economy such as rail transportation, nuclear power, wind-power, robotics, high speed rail, metro, etc., with more rapid development in rail transportation products and human-machine interface products. Our company has maintained the direction of "raising the marketing capability, strengthening the market services, and enhancing the product competitiveness" and continues to research and develop in-depth industry disciplines such as high-end manufacturing, intelligent equipment, robotics, rail transportation, network information security, communications, medical care, finance, energy, etc. in order to further enhance the market competitiveness of our products.

The Company has launched "One Belt and One Road, Cooperation for a Win-Win" to seek for the joint development between the Company and distributors and to enhance profits per capita continuously. This is also to optimize the quality and raise the efficiency. In response to the changes in market environment, the Company persists to uphold the "quality first" principle. The key performance appraisal indicators are linked to the quality indicators. The comprehensive quality control measures throughout the whole procedures secure the work quality of all employees. This satisfies the Company's product quality requirements of market and customers. The Company actively fosters the intelligent manufacturing and the introduction of the advanced automatic production and test equipment. This does not only enhance the production efficiency, but also reduces the reliance



on the operational staff, thereby reducing the costs of human resources. At the same time, the Company adheres to the diversified sales models including direct sales, agents, online sales and telephone sales, and enhances the visibility and reputation of “EVOC” brand to enhance our core competitiveness.

Development of Science and Technology Industrial Park Development

During the first half of 2017, with respect to the Company's projects, the total area sold reached about 2,000 sq.m. and achieved a sales revenue amounting to approximately RMB21 million including approximately RMB11.4 million arising from sales of section A1 of Wuxi SHIOC International Outsourcing Base (無錫深港國際) and approximately RMB9.6 million as the sales revenue from phase 1 of Dianshan Lake Property Base project in Kunshan city, Jiangsu. Wuxi A1 now has completed and covers a floor area of approximately 200,000 sq.m. and A2 will soon be completed approximately 140,000 sq.m..


Property Investment

As at June 30, 2017, gross rentable area of the Group was approximately 250,000 sq.m., of which the newly increased rentable area was approximately 12,500 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 11,000 sq.m., whereas the rentable area of Wuxi SHIOC International Outsourcing Base section A1 newly increased by approximately 3,000 sq.m.. The Group achieved a total revenue from property rent amounting to approximately RMB74.5 million during January to June, representing a growth of about 10% as compared to the first half of last year. The construction of the internal and external improvements for the Hangzhou EVOC Technology Building has nearly completed and is estimated to commence operation in September.

Research & Development and Products

The Company is committed to independent innovation to promote the communication and progress of the technologies in independent and controllable computers. This fosters the conversion of outcomes and promotion of application in respect of the relevant industries. The Company continues to develop the discussions about the applications of the localization technologies in special computers. Several domestic research institutes were brought together to make breakthroughs in the new product development, hence proactively promoting the organic integration of manufacturing, learning, research and application. This contributes to the industrial development of the independent and controllable special computers.

With a focus on hot issues of the industry and key technological breakthroughs, we have launched related investigation on the industry and issued reports thereon. The reports serve to provide the personnel of our R&D and product departments in-depth 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 surveys, research and analysis on major issues such as intelligent manufacturing, industry 4.0, network informatization towards the development of Internet of Things, etc. In addition, the Company has 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 has focused on various research on specific technologies, such as the research on automotive electronic power supply and the EMC design, BMC display-used main board equipment technology, serial port LCM screens, Linux special resolution configuration, Linux internet access sorting, the alarming function of the indicator light on the servers' hard disk boxes, etc.

During the period under review, the deep integration of informatization and industrialization will be conducted on the important basis of building smart factories. The new intelligent manufacturing model, which is internet-connected, service-oriented, individualized (customized), flexible, socialized, can greatly raise the market competitiveness of the corporate. Special computer products are the core equipment, key links that secure the safe and controllable intelligent manufacturing process. The project is subject to the standardized formulation, testing and verifications. Through setting up the standards in links such as interactions, design, procurement, manufacturing, logistics, delivery, services etc., this lays the foundation of the individualized and customized manufacturing of the full set of equipment for the industrial electronic machinery products. This also shortens the product research and development cycle, enhances the production efficiency, reduces the costs and secures the product quality. Through the promotion of the application of the project standards, this can improve the brand influence of the industrial electronic machinery product manufacturing industry in China.

During the period under review, the Company combines the upstream and downstream along the industrial chain to develop the research and application of the safe and controllable CPU industrial control computers. Through combining the industrial chain, the Company focuses on developing the research about the engineering and industrialization difficulties of the industrial control computers based on the safe and controllable CPU. Sustainable, effective market channels and industrialization strategies are proactively opened up and established. Industry models are used as radiant points and the existing imported technologies and products are replaced gradually. This achieves the large-scale application in the areas of power, oil, water, chemicals, metallurgy, machinery, electronics, railways, transportation and intelligent manufacturing etc.

During January to June 2017, new key products of the Company under research and development include:

1. *Industrial and automated low-power consumption high-performance embedded machine*

The product has a compact and robust structure. It is excellently sealed and dustproof with a cooling and vibration-resistant capacity. This satisfies the requirements of usage under adverse conditions such as those heavily polluted, dusty and with serious electro-magnetic interference, etc. The product can be applied to various types of embedded technology field of mechanical inspection equipment, industrial automated control, etc.



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2. *Network security application platform*

This product can be extensively applied to information security protection systems such as firewalls, behavioral management and audits, VPN, loophole scan, etc.

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3. *Multiple-displays, low-power consumption and industrial fanless machine designated for railway transportation*

This product is designed for the application of the main control units of terminal equipment under the metro's AFC systems. The machine has a compact structure and reasonable internal arrangements. This can enhance the reliability of the system operation with the ensured high reliability and the highly-stable performances. The product can be extensively applied to the main control units of terminal equipment regarding the Automatic Gate Machine (AGM), Ticket Vending Machine (TVM) and Booking Office Machine (BOM) under the metro's AFC systems.

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4. *Marine communication computing platform*

This product develops a new blade-type industrial computing platform for the marine application. The requirements of the marine electronic information industry can be met. This realised the application of the areas such as the information rafts, unmanned vessels, etc.

Marketing and Brands

During the period under the review, the Company adopted the diversified sales models including direct sales, agents, online sales and telephone sales and made full use of online and offline resources to take advantage of the mobile platform. Thus, the marketing of the Company is fully integrated. By closely linked our marketing channels with the industry, the Company followed closely to our target user groups to communicate the brand "EVOC" and the corporate image of an industry leader. Within the framework of the Company's four major product lines, namely intelligent manufacturing, high-end equipment, communication security and machine vision, etc., placed the focus on annual key topics marketing and promotion with more efforts, actively explored effective promotion measures and channels, continuously paid attention to the psychological changes of the target audiences in marketing as a highlight, and continued to increase marketing efforts on high-end manufacturing, intelligent equipment, rail transit, robots, network information security, smart grid, new energy and other industries.

In terms of online marketing, the Company promoted the brand image through its brand new revised official website for both PC and mobile terminals. In particular, the mobile version of the Company's website better fits the age of mobile Internet, which allows users to obtain the latest information and know the newest products of EVOC through their mobile phones. At the same time, the functions such as "online repair application", "online enquiry", etc. were upgraded so that users can enjoy the mobile Internet services of the Company anytime and anywhere. The official WeChat feeds of the Company are about the hot topics in town. Written in the Internet language, the casual and humorous feeds are accepted by the readers more easily, hence winning user loyalty. The online customer service function on WeChat allows us to promptly understand customers' demands and



thus enhance working efficiency; “online repair application”, “enquiry of warranty period”, “outlet enquiry” and other functions on WeChat allow customers to make enquiry and apply for repair on their mobile terminals. In terms of new media, the Company fully utilized the Internet resources and opened an account on media platforms including Sohu, Yidianzixun, Toutiao, etc. to promote the brand image by means of fully capitalizing on video streaming media, online live broadcasting, etc.

In terms of offline marketing, the Company fully leveraged on the advantage of their leading role in the industry in terms of activity and marketing, theme planning, exhibition promotion and event marketing by ways of “meetings of distributors + seminars + professional exhibitions”, etc. The meetings of distributors focus on communicating the latest distributor policy of the Company and analysis of market trends to seize the significant position in market with distributors in order to achieve a win-win situation. In terms of seminars, the Company continued to focus on thematic seminars regarding specific industries and proposed industries covered by specific production line, network seminars and theme planning with the main content of media feature coverage, and fully capitalized on third-party media transmission platform to achieve the transformation from traditional seminars to seminars on industrial events. Professional exhibitions allowed the Company to display the latest industry solutions and products, as well as achieve direct communication and exchange with industry insiders and customers to significantly increase brand exposure.

During the period under review, the key measures and achievements realised by the Company in respect of marketing are as follows:

1. The Company increased the investment in the online marketing continually by enhancing the brand influence of EVOC in overseas markets.
2. The Company connected EVOC Commerce Mall closely with its members, which increased readers and trading volume of EVOC Commerce Mall.
3. The Company participated in a number of industry exhibitions and seminars offline:
 - (i) organizing the “EVOC 2017 Nationwide Contract Signing Ceremony for Distributors (Southern China)” (“研祥2017年經銷商全國簽約會(華南站)”), with a theme of “Commitment to Wealth Sharing with EVOC” (“‘研’為定·共‘祥’財富之路”), hence creating the new mode of cooperation among the industry;
 - (ii) joining the Sixth China Cyber Security Conference, where the latest network security products of the Company were displayed.
4. Corresponding Honors and Awards Obtained:
 - (i) awarded the “2017 Guangdong Province Intelligent Manufacturing Demonstration Enterprises” (“2017年廣東省智能製造示範企業”);

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- (ii) honored with the title of "Top 10 Scholarly Enterprises of Shenzhen City" ("深圳十大書香企業");
 - (iii) recognized as the "Most Influential Enterprises of the Commerce Association of Technology Equipment Industry under the All-China Federation of Industry and Commerce (ACFIC)" ("全聯科技裝備業商會最具影響力企業") by the Commerce Association of Technology Equipment Industry under the ACFIC;
 - (iv) awarded the Third "International Trusted Brands" ("國際信譽品牌");
 - (v) honored as the "China's AAA-rating Trusted Enterprises, Nationwide Good Faith Management Demonstration Unit" (中國AAA級信用企業、全國誠信經營示範單位), as finally decided by the expert committee jointly constituted by the China Cooperative Trade Enterprises Association, the China Enterprise Reform and Development Society and the China Enterprise Credit Evaluation Center.


During the period under review, the Company adopted a flattened mode of channel, which has been widely recognized by the distributing partners. The Company instantly understood the latest market trends and captured the key projects with the distributors. This helped the distributors enhance the results substantially.

The Company explored and established the new multi-dimensional and nurturing system. Centered as the EVOC Intelligence Valley Institute (研祥智谷學院), this utilized the Internet platform, where nationwide thematic cyclic training as well as the centralized teaching and nurturing were performed towards the distributors. Distributors were provided with themed trainings of a series of the sales systems and technical systems. Market trainings include sharing on the industry and cases of applications, etc. The management series have in-depth sharing on financial management, human resource management and taxation policy, etc. These helped the distributors to grow rapidly and achieve a win-win situation.

Outlook and Prospect

Currently, the world's economy is accelerating the changes in the economic activities towards the network information technology industry as the main contents. The digital economy is deeply altering the human their ways in manufacturing and living, which have become the new economic growth drivers. Developing the digital economy has already been a global consensus, which is widely concerned by various countries in the world, industries and walks of life in society. Looking forward, the Chinese economy runs with proactive changes that are still on a rise in number. The positive and stable trend of development will be further consolidated and expanded.

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 manufacturing and intelligent manufacturing. We will remain focusing on the areas



of electronic equipment, high-speed rail, construction machinery, etc. We will provide ample industrial computing solutions for industrial automation, equipment intelligentization and manufacturing informatization. This will help to realize the intelligent manufacturing by helping the traditional industries to change gradually towards the equipment automation, plant digitalization and intelligentization of industrial chain.

By offering a high-end network security application platform, the Company will effectively prevent the frequently-occurring network viruses. The Company will be favored in the network information security market. With a focus on tactic customers, we will provide individualized customization and target on the high-end market. Meanwhile, we will leverage the 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. This also lays the solid foundation for the development of network informatization towards Internet of Things, as well as Internet Plus towards the intelligent world.

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 2017 to 30 June 2017.

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 2017.

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 2017, 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:

1. 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 Interest of spouse	70.5% 29.5%
Wang Rong (王蓉)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner Interest of spouse	29.5% 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 2017, 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%

Notes:

1. Mr. Chen is the beneficial owner of 70.5% interests in EVOC Hi-Tech. Holding Group 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 2017, 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 2017, 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 2017, 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 2017

The Company's 2017 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*