

# 2015 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

\* for identification purpose only



## FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2015 was approximately RMB825.0 million (2014: approximately RMB986.2 million), representing a decrease of approximately 16.3% as compared with the same period of last year.

Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB28.3 million (2014: approximately RMB29.9 million), representing a decrease of approximately 5.4% as compared with the same period of last year.

Earnings per share were approximately RMB0.023 (2014: approximately RMB0.024) for the six months ended 30 June 2015.

The Directors do not recommend payment of dividend for the six months ended 30 June 2015 (2014: 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 2015, together with the comparative unaudited results for the corresponding period in 2014, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover	4	824,990	986,192
Cost of sales		(740,840)	(884,547)
Gross profit		84,150	101,645
Other income	4	49,672	32,340
Selling and distribution costs		(14,700)	(19,491)
Administrative expenses		(17,053)	(20,227)
Other operating expenses		(33,785)	(25,024)
Finance costs		(39,939)	(36,302)
Profit before income tax	6	28,345	32,941
Income tax expense	7	(59)	(3,053)
Profit and total comprehensive income for the period attributable to owners of the Company		28,286	29,888
Earnings per share — Basic and diluted	9	RMB0.023	RMB0.024

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	906,105	915,004
Investment properties		529,811	530,439
Prepaid land leases payments		46,585	46,585
Deferred tax assets		26,269	26,269
<b>Total non-current assets</b>		<b>1,508,770</b>	<b>1,518,297</b>
<b>Current assets</b>			
Inventories	11	46,276	38,670
Properties under development		759,771	737,586
Properties held for sale		923,421	894,223
Prepaid land leases payments		1,016	1,016
Trade receivables	12	326,444	42,965
Bills receivable		23,209	23,009
Other receivables, deposits and prepayments		261,431	489,491
Cash and bank balances		114,104	251,750
<b>Total current assets</b>		<b>2,455,672</b>	<b>2,478,710</b>
<b>Current liabilities</b>			
Trade payables	13	289,909	278,306
Bills payable	13	102,927	2,341
Other payables, accruals and receipts in advance		595,253	661,994
Bank borrowings	14	871,000	919,000
Income tax payable		11,955	10,254
<b>Total current liabilities</b>		<b>1,871,044</b>	<b>1,871,895</b>
<b>Net current assets</b>		<b>584,628</b>	<b>606,815</b>
<b>Total assets less current liabilities</b>		<b>2,093,398</b>	<b>2,125,112</b>

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings	14	410,000	470,000
Deferred tax liabilities		209,880	209,880
<b>Total non-current liabilities</b>		<b>619,880</b>	679,880
<b>NET ASSETS</b>		<b>1,473,518</b>	1,445,232
<b>CAPITAL AND RESERVES</b>			
Share capital	15	123,314	123,314
Reserves		1,350,204	1,321,918
<b>TOTAL EQUITY</b>		<b>1,473,518</b>	1,445,232

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 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
At 1 January 2014	123,314	8,586	78,442	151,081	1,289	814,170	1,176,882
Profit and total comprehensive income for the period	—	—	—	—	—	29,888	29,888
At 30 June 2014 (unaudited)	123,314	8,586	78,442	151,081	1,289	844,058	1,206,770

## CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	34,586	31,804
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(24,551)	11,136
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(147,681)	14,072
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(137,646)	57,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	250,155	423,508
CASH AND CASH EQUIVALENTS AT END OF PERIOD	112,509	480,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCES	114,104	494,675
Less: Pledged bank balances	(1,595)	(14,155)
CASH AND CASH EQUIVALENTS	112,509	480,520



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 properties 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 2015 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 2014, 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 2015. 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	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover		
Sales of Special Computer products	198,779	247,896
Sales of electronic products and accessories	626,211	738,296
Sales of properties (Note)	—	—
	<b>824,990</b>	<b>986,192</b>
Other income		
Gross rentals from investment properties	37,553	29,159
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	(13,300)	(4,896)
	<b>24,253</b>	<b>24,263</b>
Bank interest income	622	2,543
Value-added tax("VAT") concession	11,541	2,380
Government subsidies	10,081	2,821
Repairs and maintenance income	1,064	—
Sub-contracting income	1,274	2,419
Miscellaneous income	1,187	—
Foreign exchange differences, net	(350)	(2,086)
	<b>49,672</b>	<b>32,340</b>
	<b>874,662</b>	<b>1,018,532</b>

Note: The pre-sales of the properties approximately RMB140.0 million and it will be recognised as turnover in 2nd half of the year.

#### 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

## 5. SEGMENT INFORMATION (CONTINUE)

- 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 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

*For the six months ended 30 June 2014*

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	986,192	—	986,192
Reportable segment profit/(loss)	57,511	(18,368)	39,143
As at 30 June 2014			
Reportable segment assets	1,213,544	1,508,020	2,721,564
Reportable segment liabilities	1,346,469	530,091	1,876,560

5. SEGMENT INFORMATION (CONTINUE)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Reportable segment profit	19,959	39,143
Other income	49,672	32,340
Unallocated corporate expenses	(1,347)	(2,240)
Finance costs	(39,939)	(36,302)
<b>Profit before income tax</b>	<b>28,345</b>	<b>32,941</b>

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	735,235	881,575
Depreciation of property, plant and equipment	10,754	5,716
Amortisation of prepaid land leases payment	631	1,462
(Profit)/Loss on disposal of property, plant and equipment, net	(4)	34
Minimum lease payments under operating leases	4,035	3,087
Research and development costs	29,202	22,199
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	36,636	40,219
Contributions to retirement benefits schemes	3,541	3,332



## 7. INCOME TAX EXPENSE

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% (2014: 12.5% to 25%) during the reporting period.

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

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% (2014: 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 2015 and 2014 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 2015 (2014: 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 2015 is based on the unaudited profit for the six months ended 30 June 2015 of approximately RMB28,286,000 (2014: approximately RMB29,888,000) and the weighted average number of domestic and H shares in issue of 1,233,144,000 (2014: 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 2015 and 2014.

## 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
<b>Cost or valuation:</b>							
As at 1 January 2015	796,291	39,060	30,491	91,017	13,996	72,315	1,043,170
Additions	—	419	150	916	370	—	1,855
Disposals	—	—	—	—	—	—	—
As at 30 June 2015	796,291	39,479	30,641	91,933	14,366	72,315	1,045,025
<b>Accumulated depreciation:</b>							
As at 1 January 2015	—	32,604	11,847	71,434	12,281	—	128,166
Charge for the period	6,631	875	1,667	1,470	111	—	10,754
As at 30 June 2015	6,631	33,479	13,514	72,904	12,392	—	138,920
<b>Carrying amount:</b>							
As at 30 June 2015 (unaudited)	789,660	6,000	17,127	19,029	1,974	72,315	906,105
As at 31 December 2014 (audited)	796,291	6,456	18,644	19,583	1,715	72,315	915,004

## 11. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	23,301	29,722
Work-in-progress	5,873	8,745
Finished goods	23,696	6,797
	52,870	45,264
Less: Allowance for inventories	(6,594)	(6,594)
	46,276	38,670

## 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 90 days	260,299	37,099
91 to 180 days	64,510	1,265
181 to 365 days	713	1,957
Over 365 days	1,412	3,134
Gross trade receivables	326,934	43,455
Less: Allowance for impairment losses	(490)	(490)
	326,444	42,965

## 13. TRADE AND BILLS PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	289,909	278,306
Bills payable	102,927	2,341
	392,836	280,647

### 13. TRADE AND BILLS PAYABLES (CONTINUE)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 90 days	202,400	263,214
91 to 180 days	186,031	13,957
181 to 365 days	3,719	506
Over 365 days	686	2,970
	<b>392,836</b>	<b>280,647</b>

### 14. BANK BORROWINGS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Secured bank borrowings	1,281,000	1,389,000

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
On demand or within one year	871,000	919,000
After one year but within two years	240,000	230,000
After two years but within five years	170,000	240,000
	<b>410,000</b>	<b>470,000</b>
	<b>1,281,000</b>	<b>1,389,000</b>

## 15. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid: At 31 December 2014 and 30 June 2015	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 2015, the Group had capital commitment authorised but not contracted for and contracted but not provided for were nil (2014: approximately RMB38.9 million) and approximately RMB397.7 million (2014: approximately RMB260.3 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

For the six months ended 30 June 2015, the Group reported an unaudited revenue of approximately RMB825.0 million (2014: approximately RMB986.2 million), representing a decrease of approximately 16.3% 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. However, there is pre-sales approximately RMB140.0 million in properties sales receipts from projects Wuxi approximately RMB90.0 million and Kunshan approximately RMB50.0 million, it will convert to turnover income when official properties title pass to buyers in 2nd half of the year.

### Gross Profit

For the six months ended 30 June 2015, the gross profit margin was slightly decreased to approximately 10.2% as compared to approximately 10.3% of the same period of last year.

### Profit for the Period

For the six months ended 30 June 2015, the Group recorded an unaudited net profit of approximately RMB28.3 million (2014: approximately RMB29.9 million), representing a decrease of approximately 5.4% as compared with the same period of last year. The decrease was mainly due to the contributions from sales decrease from special computers, electronic products and accessories.

### Liquidity, Financial Resources and Gearing ratio

As at 30 June 2015, the Group had shareholders' funds/net assets of approximately RMB1,473 million. It mainly comprised bank balances which amounted to approximately RMB114 million, inventories of approximately RMB46 million, properties under development approximately RMB760 million and trade and bills receivables amounted to approximately RMB350 million. Long-term bank borrowings amounted to approximately RMB410 million. Current liabilities of the Group mainly comprised bank borrowings of approximately RMB871 million, trade and bills payable of approximately RMB393 million and other payables and accruals of approximately RMB595 million. Net assets value per share of the Group is approximately RMB1.2.

As at 30 June 2015, the gearing ratio of the Group is about approximately 62.8% (31 December 2014: approximately 63.8%). It is defined as the Group's total liabilities over the total assets.



### Pledge of Assets

At 30 June 2015, 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 RMB1,389.0 million (31 December 2014: approximately RMB1,389.0 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 2015, the Company had 953 full time employees and the total remuneration for the period was approximately RMB36.6 million (30 June 2014: approximately RMB40.2 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 2015, 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 fuel the development of these industries towards the direction of information, intelligence, digitalization and automation at all-out efforts, giving a much-needed boost to 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 property development. Building on an operating history of two decades from our establishment since 1993, our shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong on 10 October 2003 and was subsequently 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 special 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.

During the period, China's macro-economy is running at a reasonable range. Major indicators gradually improved and showed the sign of stabilization and further improvement. The Chinese government launched a series of development policies during the period under review, such as "Great Ocean Power", "One Belt and One Road", "Made in China 2025", "Foundation Consolidation Project", with a view to enhancing the comprehensive national power. These measures have brought extensive opportunities for the Chinese Special Computer industry.

In response to these golden historical opportunities, the Company has been carrying out in-depth research and development in various areas, such as intelligent manufacturing, safe, autonomous and controllable systems, marine electronic information and aerospace fields, as well as promoting the structural adjustment and achieving industry transform and upgrade. During the period under review, the Company continued to promote its strategy of prioritizing efficiency and set the development goal of "reaching the new height of profit". The Company intends to enhance profits per capita and corporate profitability through the optimization of internal operation procedures, reduction in internal costs, revolutionizing technologies of product processing and manufacturing and reducing intermediate loss. At the same time, the Company adhered to the diversified sales models including direct sales, agents, online sales and telephone sales, and increased investment in research and development and technological innovation, as well as focus on detailed quality management and control to enhance our core competitiveness.

### **Research & Development and Products**

During the period under review, 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 and homemade hardware and software. In addition, the Company also 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 had applied for a number of patents and copyright of software.



During the period, the semi-annual meeting of 2015 convened by the National Research and Develop Center of Special Computer Engineering Technology (國家特種計算機工程技術研究中心) was held at the Company. A number of well-known academicians and experts were invited to give advice on the roadmap of development of the National Research and Develop Center of Special Computer Engineering Technology. Based on these expert advice, the National Research and Develop Center of Special Computer Engineering Technology and in collaboration with the support company — EVOC Intelligent Technology Company Limited, will seize the historical opportunities arising from the national strategies of “Great Ocean Power”, “One Belt and One Road”, “Made in China 2025” and “Foundation Consolidation Project”, and carry out in-depth research and development in various fields such as intelligent manufacturing, home-made, safe, autonomous and controllable systems, marine electronic information and aerospace. The National Research and Develop Center of Special Computer Engineering Technology is a national innovation platform established by the Company in April 2013 under the approval of the Ministry of Science and Technology (MOST). The center has made a number of scientific and technological achievements in the fields of marine and aerospace research, some of which have been industrialized, such as ship-bone high-performance computer platform, ship-bone display control platform, ship monitoring platform, rugged computer, automated vessel, machine-bone server and aerospace ground monitoring equipment.

During the period, the Company led the foundation of the Shenzhen Ocean Emerging High-tech Industries Promotion Association with the approval of relevant authorities. The operation of the association covers a number of fields, such as marine equipment, marine electronics, marine life, cruise and yacht. In collaboration with marine institutes which have set up offices in Shenzhen, the association aims to build a high-end platform for research and incubation, fostering industrial clusters as well as talent training for Shenzhen marine industry by attracting the marine science and technologies, industries, capital and management capabilities nationwide. As a leading marine industry in Shenzhen and by playing its leading role, the Company has attracted more than 100 corporate members, organized 2 marine and aerospace special reports, organized more than 50 consulting activities, and promoted 3 cooperation projects.

New key products of the Company under research and development during January to June, 2015 include:

**I. Home-made human interface device**

The product is a human interface device applicable to industrial application based on domestic core (main CPU). Equipped with a home-made CPU, it is mainly used in smart devices and intelligent manufacturing under industry 4.0 circumstances.



2. **Home-made Loongson server**

The product is a server system based on the high-performance quad-core general-purpose processor equipped with home-made Loongson. Key hardware and operation system of the system are provided by domestic manufacturers. The product is capable of achieving various demands for information security technology certification based on practical application. With unique expansion capabilities and high security, fully controllable capabilities, the product will be widely used in different areas including e-government, communications, finance, big data and cloud computing.

3. **Rugged portable computer**

The product is a high-performance, low energy consumption platform with 10.1 display module. As an information terminal, the device is capable of a variety of applications, such as telecommunication, survey and mapping, data collection and processing, and can be applied to cruel environments and high-end equipment of military and vehicle-borne devices. It can also be applied in the outdoor environments including highlands, deserts, wetlands and snowfields.


4. **High-performance and low energy consumption main control board**

Featured by high performance, low energy consumption and industrial application capabilities, the product with EVOC patented technology has obvious advantages in terms of function and performance, as well as energy consumption. The product can be widely used in automation detection and test, automation control, digital control, environmental protection, medical care and rail transportation, etc.

5. **High-end intelligent devices**

The product is defined as an innovative high-end intelligent device with industrial control system. It can meet the needs of overall expansion in terms of high-performance GPU, fully HD voice, fully HD video and other fully HD business card, which make it an ideal solution for critical business applications in small-to-medium enterprises, government authorities, scientific research institutes and higher education institutes, such as big data, voice and video services, machine vision, security monitoring industry, industrial automation, rail transportation, comprehensive intelligent transportation, automation detection and test industry and IT telecommunication industry.


During the period, the Company took an active approach to promoting the development of the industry by establishing industry alliances and associations. Based on the national engineering technology center platform and in collaboration with the up-stream and down-stream enterprises and governmental authorities, higher education institutes and research institutes, the Company played an active role in founding the alliance of special computer industry. Aiming to promote the development of safe, autonomous and



controllable system industry, the alliance has made various efforts in facilitating the solution of industry challenges, cooperation among manufacturing, academics and research, application of technological achievements and industry training. The alliance has facilitated the involvement of leading domestic enterprises engaging in the business of home-made processor, home-made operation system, engineering control machine, engineering control system applications, and professors and experts in embedded, computer and engineering control system from the Peking University, Tsinghua University, Sun Yat-sen University, South China University of Technology, Shenyang Institute of Automation of Chinese Academy of Sciences in providing advices on the national nuclear, high-tech and fundamental major projects 13th five-year plan and the manned space flight 13th five-year project of the State Administration of Science, Technology and Industry for National Defense. Through these efforts, the Company has achieved the R&D collaboration in industrial big data and secure engineering control machine with the combination of industrial, academic and research parties.

### Marketing and Brand

During the period, the Company remained committed to a multi-facet marketing model based on three main kinds of marketing methods, namely direct marketing, distribution and new channels (Internet sales and telephone sales). During the period under review, the Company has focused its marketing efforts on transferring the “EVOC” brand marketing to product brand marketing as the core strategy, and the continuing to improve the brand’s penetration rooted in the mind of a new generation. The Company principally promoted micro marketing and integrated marketing. By making full advantage of the fast transmission of the emerging Internet media, the Company stepped up efforts to integrate and promote the We Media resources. Responding to “Internet +” demands under the background of Made in China 2025, the Company revamped the EVOC official website and its online shopping mall, refined the EVOC’s micro-blog and improved its operating efficiency, closely followed the integrated marketing plan featured with combination of the internet marketing with the practical circumstance in the industry and online with offline scenarios, and carried out fully micro marketing planning, theme planning and event marketing planning by utilizing its leading strength in the industry. In terms of seminars, the Company focused 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 capitalized the third-party media platforms to realize the transformation from traditional seminars to seminars on industry events gradually. In terms of the marketing reform, the Company has emphasized on annual highlighted thematic marketing campaign in conjunction with industrial popularization and education. We also re-organized and planed the existing product system, confirmed four application areas including intelligent manufacturing, high-end equipment, communication security and machine vision, continued to pay attention to the key marketing industry and increased investment in military, rail traffic, network security, new energy, and high-end manufacturing etc.



During the period, the Company adopted the key measures and achieved the results in respect of marketing as follows:

1. We held “Sailing Forward to Realize Brand Success” (羊帆起航 品牌制勝) — 2015 EVOC Annual Conference on Strategic Core Distribution in Shenzhen, PRC to explore successful transformation of “high-end brand” strategy in 2014 with distributors, share the business growth brought about by the brand influence in 2014, and discuss how enterprises could maintain sustainable growth in 2015 to create new record of net profits.
2. The Company prepared and implemented the thematic micro marketing proposal in light of big data server, intelligent manufacturing, rugged appliance and machine vision, as a result of which the Company increased exposure and influence of EVOC’s brand in related areas effectively.
3. The Company held “Innovation and Reform Creating New Vision” (創新格局 變革新視界) — 2015 EVOC Semi-annual Summit with Channel Cooperation Partner in Shenzhen, PRC to explore with the channel cooperation partners how to seize the vast opportunities arising from “Internet+” era under the background of “Mass Innovation, Start-ups by all” (大眾創新·萬眾創業) and the opportunity of emerging industrial application arising from “Made in China 2025” in 2015 when “makers” surge. The Company also helped its channel cooperation partners to solve practical difficulties in the course of development and embrace the new opportunity from the policy-oriented industries by “Teamwork to Bring New Model” (群策群力·革新模式).
4. The Company continued to team up with Baidu and Google in the aspect of search engine promotion cooperation and joint hands with Tencent in promoting mobile Internet platform business with a view to enhancing EVOC’s brand exposure.
5. The Company strengthened efforts in promoting “Internet+” platforms. By planning the second anniversary promotion activity of EVOC Commerce Mall to increase the popularity, we increased the coverage of customer demands, improved the operation efficiency of EVOC Commerce Mall and EVOC official micro-blog and increased the investment in micro marketing continually. The Company innovated the sales services by facilitating the customer service to fully cover the mobile portal, as a result of which the operating performance of the online marketing was improved significantly.

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6. The Company participated in 2015 China Intelligent Equipment Industry Expo & the Fourth Session of China Electronic Equipment Industry Expo. This Expo, held by the People's Government of Shenzhen, is the only expo themed with intelligent and electronic equipment in the mainland.

### Outlook and Prospect

Looking ahead to the full year, the Chinese economy is expected to show a trend of moderate recovery as the policies designed to achieve growth stabilization came into effect. Such measures include the successive reduction in interest rate and reserve requirement ratio, expansion in fiscal spending, elimination of levies and tax cuts, as well as project packages in respect of major investment projects and consumption promotion projects. In recent years, with the proposition of national strategic emerging industries, governments at all levels nationwide introduced a number of policies aiming to encourage intelligent manufacturing and the development of its sub-industry, the intelligent manufacturing industry of China has attracted extensive attention in the society. With the demand for increase in product performance and the rise in labor costs, we will face increasing pressure of industry transform and upgrade. As a manufacturing hub, China is now facing a major revolution of "Industry 4.0". As one of the key fields of the strategic emerging industry, the role of intelligent manufacturing in the industrial transform and upgrade, the construction of intelligent manufacturing industry is expected to enter a fast lane of growth.

The Company will capture the opportunities in the market by leveraging on its leading edge in terms of brand and quality of special computers, as well as thus achieving business growth by taking advantage of the opportunities arising from the demand for localization of manufacture and intelligent manufacture. We will remain focusing on rail transportation, information security, environmental protection equipment, electrical equipment and construction machinery. By offering a full array of high-end network products, we will meet the demand for network information security. With a focus on tactic customers, we will target on high-end market. Meanwhile, boasting on the growth opportunities arising from the automation equipment demand lured by the growth of the cloud computing/big data market and industrial upgrade, we will increase our market share on the industrial server segment.

The Company will also seize the opportunities arising from the growth in demand for automated equipment as a result of industry upgrades, continue to increase its presence in the industry, and take a practical and positive approach in facilitating the industry upgrades and development of the country's intelligent manufacturing, safe, autonomous and controllable systems, marine electronic information and aerospace fields. Meanwhile, leveraging on our competitive advantages and resources, the Company will uphold our strategy of self owned branding and technological innovation, in order to enhance our core competitiveness, thereby confirming and staying in the leading position in the special computer fields in the PRC.





## 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 2015 to 30 June 2015.

### Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Dong Lixin and Mr. Zhang Da Ming. Mr. Ling Chun Kwok is the Chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group’s financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the interim results of the Group for the six months ended 30 June 2015.

### Remuneration and Review Committee

The remuneration and review committee of the Company comprises one executive director Mr. Zhu Jun, 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 2015, 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. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) which is owned as to 70.5% by Mr. Chen Zhi Lie (陳志列) ("Mr. Chen") and 29.5% by Ms. Wang Rong (王蓉), spouse of Mr. Chen. By virtue of Mr. Chen's holding of more than one-third interest in EVOC Hi-Tech. Holding Group Co., Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by EVOC Hi-Tech. Holding Group Co., Ltd. in the Company pursuant to Part XV of the SFO.

2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. By virtue of Mr. Chen holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) Long position — interests in associated corporations

Directors	Associated corporation	Type of interests	Approximate percentage of holding of the total share capital of the associated corporation
Chen Zhi Lie (陳志列)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner 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 2015, 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 2015, 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 2015, 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 2015, the Company has not adopted any share option scheme or granted any option.

### Competing Interests

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

### Purchases, Sale or Redemption of Securities

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

### Sufficiency of Public Float

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

### Directors

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun; the independent non-executive directors of the Group are Mr. Ling Chun Kwok, 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 2015

*The Company's 2015 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