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**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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Turnover	<b>1,305,200</b>	1,141,666	14.3%
Gross profit	<b>177,332</b>	203,652	-12.9%
Other income	<b>199,599</b>	180,104	10.8%
Profit attributable to owners of the Company (excluding fair value changes on investment properties and transfer of properties held for sale)	<b>114,763</b>	67,012	71.3%
Profit attributable to owners of the Company	<b>35,481</b>	269,058	-86.8%
Earnings per share (Basic and diluted)	<b>0.029</b>	0.218	-86.7%
Gross profit margin percentage	<b>13.6%</b>	17.8%	-4.2%
	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	
Net Asset Value per share	<b>RMB1.68</b>	RMB1.64	2.4%

## RESULTS

The Directors are pleased to present the audited consolidated results of EVOC Intelligent Technology Company Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2017 together with the comparative figures for the corresponding year in 2016 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	RMB'000	RMB'000
		(Audited)	(Audited)
Turnover	4	1,305,200	1,141,666
Cost of sales		<u>(1,127,868)</u>	<u>(938,014)</u>
Gross profit		177,332	203,652
Other income	4	199,599	180,104
Selling and distribution costs		(43,871)	(48,201)
Administrative expenses		(59,952)	(54,220)
Other operating expenses		(114,031)	(83,314)
Fair value (loss)/gain on investment properties		(93,740)	46,457
Fair value gain on transfer of properties held for sale to investment properties		14,458	155,589
Finance costs		<u>(40,078)</u>	<u>(35,986)</u>
Profit before income tax	5	39,717	364,081
Income tax expense	6	<u>(4,236)</u>	<u>(95,023)</u>
<b>Profit for the year attributable to owners of the Company</b>		<b><u>35,481</u></b>	<b><u>269,058</u></b>
<b>Other comprehensive income, after tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Surplus on revaluation of land and buildings		15,013	23,971
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		<u>(592)</u>	<u>(184)</u>
Other comprehensive income for the year, net of tax		<u>14,421</u>	<u>23,787</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b><u>49,902</u></b>	<b><u>292,845</u></b>
Earnings per share — Basic and diluted (RMB)	8	<u>0.029</u>	<u>0.218</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2017*

	<i>Notes</i>	2017 <b>RMB'000</b> (Audited)	2016 <b>RMB'000</b> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		870,921	826,856
Investment properties		1,708,894	1,619,097
Prepaid land lease payments		43,537	44,553
Deferred tax assets		23,207	23,025
<b>Total non-current assets</b>		<b>2,646,559</b>	<b>2,513,531</b>
<b>Current assets</b>			
Inventories		31,874	31,179
Properties under development		1,325,966	1,014,040
Properties held for sale		353,761	528,043
Prepaid land lease payments		1,016	1,016
Trade receivables	<i>9</i>	149,570	6,465
Bills receivable	<i>9</i>	51,714	30,888
Other receivables, deposits and prepayments		348,516	138,798
Income tax recoverable		1,632	3,932
Cash and bank balances		681,100	426,562
<b>Total current assets</b>		<b>2,945,149</b>	<b>2,180,923</b>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	729,996	468,350
Bills payable	<i>10</i>	1,277	60,000
Other payables, accruals and receipts in advance		336,293	241,078
Bank borrowings		1,300,880	846,400
Income tax payable		26,323	24,295
<b>Total current liabilities</b>		<b>2,394,769</b>	<b>1,640,123</b>
<b>Net current assets</b>		<b>550,380</b>	<b>540,800</b>
<b>Total assets less current liabilities</b>		<b>3,196,939</b>	<b>3,054,331</b>
<b>Non-current liabilities</b>			
Bank borrowings		795,172	700,156
Deferred tax liabilities		333,408	335,718
<b>Total non-current liabilities</b>		<b>1,128,580</b>	<b>1,035,874</b>
<b>NET ASSETS</b>		<b>2,068,359</b>	<b>2,018,457</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		123,314	123,314
Reserves		1,945,045	1,895,143
<b>TOTAL EQUITY</b>		<b>2,068,359</b>	<b>2,018,457</b>

*Notes:*

**1. CORPORATE INFORMATION**

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

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

**(a) Adoption of new/revised HKFRSs — effective 1 January 2017**

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

*Amendments to HKAS 7 — Disclosure Initiative*

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows.

*Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

*Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15) <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

*HKFRS 9 — Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

## *HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

### *Amendments HKFRS 15 — Revenue from Contracts with customers (Clarifications to HKFRS 15)*

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

### *Amendments to HKAS 40, Investment Property — Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

### *HK(IFRIC)–Int 22 — Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

### *Amendments to HKFRS 9—Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

### *HKFRS 16 — Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

### *HK(IFRIC)–Int 23 — Uncertainty over Income Tax Treatments*

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are set out in Note 2(b) of the consolidated financial statements.

### 3. SEGMENT INFORMATION

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

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

- Research, development, manufacture and distribution of special computer products and trading of electronic accessories
- Development of 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.

#### For the year ended 31 December 2017

	<b>Special computer products and electronic accessories RMB’000</b>	<b>Property development RMB’000</b>	<b>Total RMB’000</b>
External revenue	<u>1,264,188</u>	<u>41,012</u>	<u>1,305,200</u>
Reportable segment profit/(loss)	<u>68,276</u>	<u>(96,911)</u>	<u>(28,635)</u>
Interest income	2,953	—	2,953
Other income	53,578	—	53,578
Depreciation and amortisation	(29,429)	(7,406)	(36,835)
Impairment loss on inventories	(1,023)	—	(1,023)
Fair value loss on investment properties	—	(64,851)	(64,851)
Fair value gain on transfer of properties held for sale to investment properties	—	14,458	14,458
Reportable segment assets	1,344,668	2,963,582	4,308,250
Additions to non-current assets	18,153	71,388	89,541
Reportable segment liabilities	<u>(546,592)</u>	<u>(747,026)</u>	<u>(1,293,618)</u>



**For the year ended 31 December 2016**

	Special computer products and electronic accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	<u>893,715</u>	<u>247,951</u>	<u>1,141,666</u>
Reportable segment profit	<u>64,551</u>	<u>176,395</u>	<u>240,946</u>
Interest income	2,270	305	2,575
Other income	61,347	—	61,347
Depreciation and amortisation	(28,419)	(2,196)	(30,615)
Reversal of impairment loss on trade receivables	173	—	173
Impairment loss on inventories	(1,564)	—	(1,564)
Fair value gain on investment properties	—	183	183
Fair value gain on transfer of properties held for sale to investment properties	—	155,589	155,589
Reportable segment assets	818,567	2,570,662	3,389,229
Additions to non-current assets	59,725	96,873	156,598
Reportable segment liabilities	<u>(281,352)</u>	<u>(664,632)</u>	<u>(945,984)</u>

*Notes:*

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

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Customer A	<b>523,079</b>	480,270
Customer B	<b>238,193</b>	N/A

*Note:* Revenue from Customer B contributed less than 10% of revenue of the Group for the year ended 31 December 2016.

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

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue</b>		
Total of reportable segments' revenue and consolidated revenue	<u><b>1,305,200</b></u>	<u>1,141,666</u>

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Profit before income tax</b>		
Total of reportable segments' (loss)/profit	(28,635)	240,946
Other income	143,068	116,182
Fair value (loss)/gain on investment properties	(28,889)	46,274
Unallocated corporate expenses	(5,749)	(3,335)
Finance costs	(40,078)	(35,986)
	<u>39,717</u>	<u>364,081</u>

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Total of reportable segments' assets</b>		
Reportable segment assets	4,308,250	3,389,229
Deferred tax assets	23,207	23,025
Property, plant and equipment	253,259	274,599
Investment properties	1,002,484	1,002,967
Unallocated corporate assets	4,508	4,634
	<u>5,591,708</u>	<u>4,694,454</u>

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Total of reportable segments' liabilities</b>		
Reportable segment liabilities	1,293,618	945,984
Bank borrowings	1,870,000	1,370,000
Deferred tax liabilities	333,408	335,718
Tax payables	26,323	24,295
	<u>3,523,349</u>	<u>2,675,997</u>

**(c) Geographic information**

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

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

#### 4. TURNOVER AND OTHER INCOME

Turnover represents the invoiced value of goods sold and services provided to customers, net of customer returns, rebates and other similar allowances and excludes value added tax. The amounts of each significant category of revenue recognised during the year are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Turnover		
Sales of special computer products	360,072	378,290
Sales of electronic products and accessories		
— Computer components	531,501	515,425
— Mobile phones and accessories	372,615	—
Sales of properties	41,012	247,951
	<u>1,305,200</u>	<u>1,141,666</u>
Other income		
Gross rentals from investment properties	153,789	124,554
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties reimbursed from tenants	(24,081)	(20,593)
	<u>129,708</u>	103,961
Bank interest income	2,953	2,575
Value-added tax (“VAT”) concessions ( <i>Note (a)</i> )	10,408	10,149
Reversal of impairment loss on trade receivables	—	173
Government subsidies ( <i>Note (b)</i> )	45,726	53,773
Repairs and maintenance income	2,811	3,915
Sub-contracting income	208	170
Sundry income	7,785	5,388
	<u>199,599</u>	<u>180,104</u>

*Notes:*

- (a) VAT refunds were obtained from local tax authority in respect of sales of approved software and integrated circuit products.
- (b) Financial incentives were granted by the PRC government for development of high-technology products and purchase of specified property, plant and equipment for development of specified project. Included in the amount of government grants recognised as income for the year ended 31 December 2017, RMB16,510,000 (2016: RMB22,768,000) related to grants that were immediately recognised as income for the year as the Group has fulfilled the relevant granting criteria and the grant was not capital in nature, RMB17,235,000 (2016: RMB19,917,000) related to grants that were recognised as other income on systematic basis over the period that the costs were expensed for development of high-technology products and RMB11,981,000 (2016: RMB11,088,000) related to grants that were recognised as other income over the expected useful lives of the relevant specified property, plant and equipment for development of specified project.

## 5. PROFIT BEFORE INCOME TAX

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Auditor's remuneration	2,076	1,690
Cost of inventories recognised as an expense ( <i>Note (a)</i> )	1,089,705	748,695
Cost of properties recognised as an expense	38,163	189,319
Depreciation of property, plant and equipment	36,001	29,599
Amortisation of prepaid land lease payments	1,016	1,016
Foreign exchange difference, net	(1)	(352)
Loss on disposal of property, plant and equipment	184	8
Loss on written off of property, plant and equipment	58	152
Reversal of impairment loss on trade receivables	—	(173)
Impairment on inventories	1,023	1,564
Minimum lease payments under operating leases	4,948	4,248
Research and development costs ( <i>Note (b)</i> )	85,394	66,364
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	86,629	77,413
Contributions to retirement benefits schemes	6,348	6,771
	<u>92,977</u>	<u>84,184</u>

*Notes:*

- (a) Cost of inventories sold includes staff costs and depreciation of RMB19,958,000 (2016: RMB19,491,000) and RMB5,288,000 (2016: RMB5,415,000) respectively, which are also included in the total amounts disclosed above for each of these types of expenses.
- (b) Research and development costs are included in other operating expenses which mainly consists of depreciation charge of RMB2,278,000 (2016: RMB2,268,000), consumable and material expenses amounting to RMB41,201,000 (2016: RMB31,355,000), staff costs amounting to RMB28,008,000 (2016: RMB23,613,000) and inspection fee amounting to RMB4,206,000 (2016: RMB4,498,000)

## 6. INCOME TAX EXPENSE

- (a) The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Current tax — the PRC</b>		
Enterprise income tax (“EIT”)		
Current year	11,252	21,078
Land appreciation tax (“LAT”)		
Current year	<u>481</u>	<u>5,812</u>
	<u>11,733</u>	<u>26,890</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences, net	<u>(7,497)</u>	<u>68,133</u>
Income tax expense	<u><u>4,236</u></u>	<u><u>95,023</u></u>

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. One of these subsidiaries is entitled to 50% relief on the income tax (2016: 50% relief from income tax).

The Company which has been approved as new and high technology enterprise is entitled to a concessionary tax rate of 15%. The Company needs to re-apply for the preferential tax treatment when the preferential tax period expires.

Other subsidiaries are subject to income tax rate of 25% (2016: 25%) during the reporting period.

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

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the year ended 31 December 2017 and 2016 as there was no estimated assessable profit.

## 7. DIVIDENDS

The board of directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

## 8. EARNINGS PER SHARE

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

	2017	2016
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation ( <i>RMB'000</i> )	35,481	269,058
Weighted average number of domestic and H shares in issue	1,233,144,000	1,233,144,000
Basic and diluted earnings per share ( <i>RMB</i> )	<u>0.029</u>	<u>0.218</u>

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

## 9. TRADE AND BILLS RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables, net ( <i>Note</i> )	149,570	6,465
Bills receivable	<u>51,714</u>	<u>30,888</u>
Total	<u>201,284</u>	<u>37,353</u>

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

*Note:*

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
0 to 90 days	149,392	4,642
91 to 180 days	86	175
181 to 365 days	—	451
Over 1 year	<u>92</u>	<u>1,197</u>
Gross trade receivables	<u>149,570</u>	<u>6,465</u>

The ageing analysis of trade receivables (net of impairment losses) which are past due but not impaired of the Group as the end of reporting period is as follows:

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Neither past due nor impaired	<u>91,886</u>	<u>3,780</u>
Within 90 days past due	57,504	1,850
91 to 180 days past due	75	71
181 to 365 days past due	—	741
Over 365 days past due	<u>105</u>	<u>23</u>
Amount past due but not impaired	<u>57,684</u>	<u>2,685</u>
	<b><u>149,570</u></b>	<b><u>6,465</u></b>

#### 10. TRADE AND BILLS PAYABLES

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Trade payables	729,996	468,350
Bills payable	<u>1,277</u>	<u>60,000</u>
	<b><u>731,273</u></b>	<b><u>528,350</u></b>

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

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
0 to 90 days	671,351	434,539
91 to 180 days	1,846	11,399
181 to 365 days	2,814	11,194
Over 1 year	<u>53,985</u>	<u>11,218</u>
	<b><u>729,996</u></b>	<b><u>468,350</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 our efforts to enhance and transform the traditional industries in the PRC. Meanwhile, the Company was also engaged in trading of electronic products and accessories and development of properties in the PRC.

The Chinese economy was under steady development during the period under review. Compared to last year, the demand for special computer products had slightly shrunk, whereas the price surges in upstream GPU and RAM were significant, consequently leading to a rapid increase in the costs of raw materials for computer products; due to the rise in the property prices in the Mainland China, the growth in the overall prices of goods in society as well as the costs of human resources was expedited. Thus, the entire industry was subject to an enormous challenge in terms of profitability. With the call on “Mass Innovation” by the Chinese government, the number of small and micro size new type companies as well as backyard companies rose within the industry, and hence the competition in the industry and price competition was intensified. This posed challenges to the Company’s traditional product’s market.

The Company had launched “One Belt and One Road, Cooperation for a Win-Win” to seek for the joint development between the Company and distributors so as to meet the market changes and face the challenges. The Company internally adjusted the product layout to strive for enhancement of efficiency. In face of the new market trends, the Company persists to uphold the “quality first” principle and refuses to compromise with low prices. The Company stringently complies with the quality control measures during the whole procedure comprehensively, without shortening the delivery time at the expense of quality for the market. Meanwhile, the Company has also fostered the intelligent manufacturing and increased its investment, along with the introduction of the advanced automatic production and testing equipment. This reduces the reliance on the operational staff, thereby addressing the rapid growth in the costs of human resources. At the same time, the Company still adheres to the diversified sales models including direct sales, agents, online sales and telephone sales to seek for market and customers which better fit and are more willing to pay for quality.



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

In 2017, the gross sales revenue including presales from the real estate projects amounted to approximately RMB89.7 million for the year. Section A1 of Wuxi SHIOC International Outsourcing Base 無錫深港國際 (“Wuxi”) has completed and covers a floor area of approximately 200,000 sq.m., while the multi-floor properties of section A2 of Wuxi with a floor area of approximately 140,000 sq.m. is expected to be completed in 2018. The phase 1 of Dianshan Lake in Kunshan had completed in 2015 with a total gross floor area of approximately 44,000 sq.m., while the mansions and offices in phase 2 of Dianshan Lake with a floor area of approximately of 126,000 sq.m. is expected to be completed in 2018. The first phase of the Nantong EVOC High Profile Office Park is consisted of 39 high-rise office buildings, with a total floor area of approximately 72,800 sq.m. is expected to be completed in 2018. Huaqiao International Finance Center in Kunshan has been designed as a 55-floor high-rise building which is 250-meter high and is expected to be completed in 2022.

## **Revenue from Leased Properties**

As at the end of 2017, the total leased area of the Group reached 247,000 sq.m., and achieved total revenue from property rent amounting to approximately RMB153.8 million for the whole year. The EVOC City Plaza in Hangzhou had completed in 2016, with the total floor area of approximately 66,000 sq.m.. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed at the beginning of 2014, and the gross floor area is approximately 245,000 sq.m.. The project includes a 22-floor research and development office building, two buildings of research and development plants and one apartment block with a gross floor area of approximately 58,000 sq.m., approximately 92,000 sq.m. and approximately 55,000 sq.m., respectively. Besides, it owns an underground parking lot occupying approximately 40,000 sq.m.. Shenzhen EVOC Technology Building was completed in 2007, with a total floor area of approximately 62,000 sq.m.. The offices (unit nos. 10B1 and 10B2) at Shenzhen Tianxiang Building have a total gross floor area of approximately 1,152 sq.m.. An area of approximately 50,000 sq.m. at the offices of section A1 of Wuxi as well as an area of 54,000 sq.m. of shops have been rentable.

## RESULT OF THE YEAR

In 2017, the Group recorded a turnover of approximately RMB1,305.2 million, representing an increase of approximately 14.3% as compared with last year, of which sales of special computer was approximately RMB360.1 million, trading of electronic products and accessories was approximately RMB531.5 million, sales of mobile phones and accessories was approximately RMB372.6 million while sales of properties was approximately RMB41.0 million. Profit attributable to owners of the Company was approximately RMB35.5 million. Excluding fair value changes on investment properties and transfer of properties held for sale to investment properties of approximately RMB79.3 million, core profit attributable to owners was approximately RMB114.8 million. Core profit margin attributable to owners was approximately 8.8%.

### Research & Development and Products

During the period under review, the Company had been committed to independent innovation and continued to develop the research and applications of special computers. Several domestic research institutes were brought together by the Company to commence the development and industrialisation of safe and controllable new products. We had strengthened the suitable matching among hardware and software, as well as performing product research and development for the homemade Central Processing Unit (CPU) platforms.

The Company also carried out research and analysis on major issues such as intelligent manufacturing, industry 4.0, network informatisation towards the development of Internet of Things and the artificial intelligent world. Besides, specific groups for certain technological issues at the Research and Development center were established, with the aim of conducting research on the common issues and technologies in relation to product application and industrial application. The Company focused on several researches on specific technologies, such as BMC (Baseboard Management Controller) display-used main board equipment technology, machine vision testing system and the solutions about the Internet of Things. New key products of the Company under research and development during 2017 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..

2. *Homemade-Central Processing Unit anti-adverse environment rugged laptop sample device*

The sample device aims at research on the basis of the feasibility of the homemade Central Processing Unit (CPU) rugged laptops in order to meet performance indicators such as all anti-adverse environment characteristics in respect of robustness, water tightness, dust prevention, vibration resistance, shock resistance, wide temperature, easy-to-carry, electromagnetic compatibility, etc..

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 Automatic Fare Collection (AFC) systems. The machine has a compact structure and reasonable internal arrangements. The product can be applied to the main control units of terminal equipment regarding the Automatic Gate Machine (AGM), Ticket Vending Machine (TVM) and semi-automated Booking Office Machine (BOM) under the metro's AFC systems.

4. *Marine communication computing platform testing sample device*

This sample device is developed catering to a new blade-type industrial-class computing platform for marine application. This aims at meeting the requirements of the marine electronic information industry, realising the control and command of the information floating platform and unmanned vessels.

## **Marketing and Brands**

During the period under review, the Company adopted the diversified sales models including direct sales, agents, online sales and telephone sales and made full use of the online and offline resources for the full integration of marketing. By closely linking our marketing channels with the industry, the Company had focused on the areas of localisation as well as independence and controllability. Collaboration with upstream and downstream partners had been commenced.

In terms of online marketing, the Company promoted the brand image through its brand new revised official website for both PC and mobile terminals, which display the latest information and the newest products of "EVOC". The Company had also activated its official WeChat account to raise the brand exposure. In terms of new media, the Company utilised the Internet resources and collaborated with Baidu for promotion, 360 Search, search engine optimisation etc.. To improve the influence of the brand of the Company, the strength of overseas marketing promotion had been enhanced.

In terms of offline marketing, the Company performed on-the-ground event marketing and exhibition promotion by ways of meetings of distributors, seminars, professional exhibitions, etc. for communication. The meetings of distributors focused on communicating the latest distributor policy of the Company and analysis of market trends in order to achieve a win-win situation. In terms of seminars, the Company has proposed industry-specific seminars such as network seminars. Professional exhibitions allow the Company to display the latest industry solutions and products, as well as achieving direct communication and exchanging ideas with the industry players and customers.

The Company adopted a flattened mode of channel, which has been widely recognised by the distributing partners. The Company instantly understood the latest market trends and captured the key projects with the distributors for achievement of the results.

### **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 is foreseeable.

The Company will continue to focus on the areas of the special computers striving to foster the strength of the brand and the reputation for quality. We pay attention to the development status of homemade CPU, while pending the growth opportunities in the market demand. The Company will impose adjustments on the traditional products in accordance with the competition trends, without precluding the reduction in the research and production of the unprofitable products.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2017, the Group's reported a total revenue of approximately RMB1,305.2 million (2016: approximately RMB1,141.7 million) representing an increase of approximately 14.3%, analysed by product category as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>	Change <i>percentage</i>
Turnover			
Sales of special computer products	<b>360,072</b>	378,290	-4.8%
Sales of electronic products and accessories			
— Computer components	<b>531,501</b>	515,425	+3.1%
— Mobile phones and accessories	<b>372,615</b>	—	N/A
Sales of properties	<b>41,012</b>	247,951	-83.5%
	<b><u>1,305,200</u></b>	<b><u>1,141,666</u></b>	+14.3%

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

Cost of sales for the period increased to approximately RMB1,127.9 million, represents an increase of approximately 20.2% as compared to previous year.

Gross profit margin for the period decreased approximately 4.2 percentage points to approximately 13.6%.

The decrease of gross profit margin was mainly due to decrease in higher profit margin properties development business.

### *Other Income*

Other income for the period increased by approximately 10.8% from approximately RMB 180.1 million in 2016 to approximately RMB199.6 million in 2017. The increase was mainly due to increase in rental income from investment properties for the year.

### *Selling & Distribution Costs*

The selling and distribution costs decreased by 9.0% from approximately RMB48.2 million in 2016 to approximately RMB43.9 million in 2017. It was due to the decrease in promotional and advertising cost.

### *Administrative Expenses*

The administrative expenses increased by 10.6% from approximately RMB54.2 million in 2016 to approximately RMB60.0 million in 2017. The increase is due to increase in staff welfare expenses and transportation provided for employees in Guangming plant and office.

### *Research & Development Costs*

The research and development costs increased by 28.7% from approximately RMB66.4 million in 2016 to approximately RMB85.4 million in 2017. The increase is mainly due to increase in the material parts consumables.

### *Fair Value Change*

During the period, the Group recorded a fair value loss of approximately RMB93.7 million on investment properties and fair value gain of approximately RMB14.5 million on transfer of properties held for sale to investment properties.

### *Finance Costs*

Finance costs net of interest capitalised were approximately RMB40.1 million in 2017, compared with approximately RMB36.0 million in 2016, representing an increase 11.4%.

### *Income Tax Expenses*

Income tax expenses decreased by 95.6% from approximately RMB95.0 million in 2016 to approximately RMB4.2 million in 2017. It was mainly due to decrease in sales of properties.

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

The Group's profit attributable to owners of the Company decreased from approximately RMB269.1 million in 2016 to approximately RMB35.5 million in 2017, representing a decrease of approximately 86.8%. The net profit margin has been decrease from 23.6% to 2.7%.

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

The Group generally finances its operation with internally resource and banking facilities granted by bankers in the PRC. As at 31 December 2017, the Group's gearing ratio had increased to approximately 63% (calculated on the basis of the Group's total liabilities over total assets) from approximately 57% as at 31 December 2016. At the year end date the Group's total bank borrowings amounted to approximately RMB2,096.1 million (2016: approximately RMB1,546.6 million). The Group's cash and bank balances as at 31 December 2017 has increased to approximately RMB681.1

million (2016: approximately RMB426.6 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to approximately 1.23 as at 31 December 2017 (2016: approximately 1.33).

#### **FOREIGN EXCHANGE EXPOSURES**

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

#### **CONTINGENT LIABILITIES**

The Group has no contingent liabilities at 31 December 2017.

#### **CAPITAL COMMITMENTS**

As at 31 December 2017, the Group had contracted but not provided for amounting to approximately RMB207.6 million (2016: RMB456.0 million) in respect of the construction of buildings and properties under development in Kunshan and Hangzhou.

#### **PLEDGE OF ASSETS**

At 31 December 2017, the Group has pledged certain of its property, plant and equipment, investment properties and construction in progress with a total carrying amount of approximately RMB2,949.0 million (2016: approximately RMB1,783.5 million) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

#### **EMPLOYEE INFORMATION**

As at 31 December 2017, the Group had total workforce of 838 (2016: 906). Employee benefit during the year were approximately RMB93.0 million.

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

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

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

## **COMPETING INTERESTS**

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

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

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2017 to 31 December 2017.

## **AUDIT COMMITTEE**

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



Directors. The committee met on a semi-annual basis and the review covers the findings of internal controls, risk management and financial reporting matters. The audit committee reviewed and monitored the external auditor's independence and effectiveness of the audit process in accordance with applicable standard. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 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 Li Xin and Mr. Zhang Da Ming. Mr. Dong Li Xin is the Chairman of the remuneration and review committee. The remuneration and review committee has rights and duties consistent with those set out in the Code Provisions. The remuneration and review committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

## **NOMINATION COMMITTEE**

The nomination committee of the Company comprises one executive director, Mr. Chen Zhi Lie and two independent non-executive directors, Mr. Dong Li Xin 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.

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

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.evoc.com](http://www.evoc.com). The annual report of the Company for the year ended 31 December 2017 will also be published on the aforesaid websites in due course.

## **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. Wen Bing, Mr. Dong Li Xin and Mr. Zhang Da Ming and Mr. Yu Tat Chi, Michael.

## **APPRECIATION**

The Board would like to thank our shareholders, customers, suppliers, bankers and professional advisers for their support of the Group and to extend our appreciation to all our staff for their dedication and contributions throughout the year.

By Order of the Board  
**EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED\***  
**Chen Zhi Lie**  
*Chairman*

Shenzhen, the PRC, 29 March 2018

\* *For identification purpose only*