



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

Interim Report 2019



* for identification purpose only



FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2019 RMB'000	2018 RMB'000	Percent
Revenue	513,455	555,032	-7.5%
Other income	135,151	101,914	+32.6%
Profit attributable to owners of the Company	20,083	22,493	-10.7%
Earnings per share Basic (<i>RMB</i>)	0.016	0.018	

The Directors do not recommend payment of dividend for the six months ended 30 June 2019 (2018: Nil).

FINANCIAL RESULTS

The Board of directors (the "Directors") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019, together with the comparative unaudited results for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Turnover	4	513,455	555,032
Cost of sales		(427,068)	(495,412)
Gross profit		86,387	59,620
Other income	4	135,151	101,914
Selling and distribution costs		(16,325)	(16,296)
Administrative expenses		(33,708)	(26,248)
Other operating expenses		(49,260)	(37,068)
Finance costs		(98,898)	(55,297)
Profit before income tax	6	23,347	26,625
Income tax expense	7	(3,264)	(4,132)
Profit and total comprehensive income for the period attributable to owners of the Company		20,083	22,493
Earnings per share — Basic and diluted	9	RMB0.016	RMB0.018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	749,596	760,954
Investment properties		2,044,927	2,044,931
Prepaid land leases payments		42,520	42,521
Deferred tax assets		27,813	24,387
Total non-current assets		2,864,856	2,872,793
Current assets			
Inventories	11	48,995	37,301
Properties under development		881,045	863,600
Properties held for sale		1,000,476	964,455
Prepaid land leases payments		508	1,016
Trade receivables	12	253,352	131,211
Bills receivable		38,185	34,115
Other receivables, deposits and prepayments		206,628	259,632
Contract cost		3,170	3,170
Due from related companies		—	5,028
Income tax recoverable		—	3,416
Cash and bank balances		1,265,317	1,079,953
Total current assets		3,697,676	3,382,897



	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current liabilities			
Trade payables	<i>13</i>	917,691	740,185
Bills payable	<i>13</i>	5,594	1,500
Contract liabilities		195,034	195,034
Other payables, accruals and receipts in advance		112,881	305,370
Due to a related company		—	397
Bank borrowings	<i>14</i>	1,334,622	1,268,081
Income tax payable		7,967	17,585
Total current liabilities		2,573,789	2,528,152
Net current assets		1,123,887	854,745
Total assets less current liabilities		3,988,743	3,727,538
Non-current liabilities			
Bank borrowings	<i>14</i>	1,350,618	1,109,496
Deferred tax liabilities		358,698	358,698
Total non-current liabilities		1,709,316	1,468,194
NET ASSETS		2,279,427	2,259,344
CAPITAL AND RESERVES			
Share capital	<i>15</i>	123,314	123,314
Reserves		2,156,113	2,136,030
TOTAL EQUITY		2,279,427	2,259,344

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2019	123,314	8,586	79,942	478,522	543	1,568,437	2,259,344
Profit and total comprehensive income for the period	—	—	—	—	—	20,083	20,083
At 30 June 2019 (unaudited)	123,314	8,586	79,942	478,522	543	1,588,520	2,279,427
At 1 January 2018	123,314	8,586	79,942	444,575	445	1,411,497	2,068,359
Profit and total comprehensive income for the period	—	—	—	—	—	22,493	22,493
At 30 June 2018 (unaudited)	123,314	8,586	79,942	444,575	445	1,433,990	2,090,852

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	78,511	39,117
NET CASH USED IN INVESTING ACTIVITIES	(128,569)	(360,229)
NET CASH GENERATED FROM FINANCING ACTIVITIES	235,422	69,841
NET INCREASE/(NET DECREASE) IN CASH AND CASH EQUIVALENTS	185,364	(251,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,079,953	681,100
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,265,317	429,829
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	1,265,317	429,829
Less: Pledged bank balances	—	—
CASH AND CASH EQUIVALENTS	1,265,317	429,829



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. PRINCIPAL ACTIVITIES

The Group is principally engaged in the research, development, manufacture and distribution of special computer products, assembling and 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, electricity generation, video frequency control, transportation, Internet, commerce and finance, etc.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, 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, amendments and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2018. The adoption of such standards, amendments and interpretations do 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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Turnover		
Sales of special computer products (<i>Note</i>)	186,122	147,414
Sales of electronic products and accessories (<i>Note</i>)		
— Computer components	836	195,768
— Mobile phones and accessories	314,446	208,062
Sales of properties	12,051	3,788
	513,455	555,032
Other income		
Gross rentals from investment properties	94,929	77,002
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	(32,013)	(32,228)
	62,916	44,774
Bank interest income	5,433	1,617
Value-added tax ("VAT") concession	—	11
Government subsidies	35,958	51,589
Repairs and maintenance income	2,768	1,824
Sub-contracting income	11,197	3,032
Miscellaneous income	17,181	1,627
Foreign exchange differences, net	(302)	(890)
	135,151	103,584
	648,606	658,616

Note: 2018 figures adjusted after re-classification.

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 and operating 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, assembling and trading of electronic products and accessories
- Development of properties for sale and investment purposes

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 2019

	Special computer products and electronic products and accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	501,404	12,051	513,455
Reportable segment profit/(loss)	51,733	(31,650)	20,083
As at 30 June 2019			
Reportable segment assets	1,438,042	3,547,566	4,985,608
Reportable segment liabilities	565,488	773,627	1,339,115

5. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2018

	Special computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	551,244	3,788	555,032
Reportable segment profit/(loss)	20,666	(22,596)	(1,930)
As at 30 June 2018			
Reportable segment assets	1,238,042	2,883,476	4,121,518
Reportable segment liabilities	535,488	797,229	1,332,717

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Reportable segment profit/(loss)	20	(1,930)
Other income	135,151	101,914
Unallocated corporate expenses	(16,190)	(18,062)
Finance costs	(98,898)	(55,297)
Profit before income tax	20,083	26,625

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	395,055	462,348
Cost of sales of properties recognised as an expense	32,013	33,064
Depreciation of property, plant and equipment	21,097	17,919
Amortisation of prepaid land leases payment	866	866
Loss on disposal of property, plant and equipment, net	—	33
Minimum lease payments under operating leases	2,188	1,895
Research and development costs	43,820	31,041
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	46,520	47,481
Contributions to retirement benefits schemes	6,676	3,319

7. INCOME TAX EXPENSES

In accordance with the PRC Enterprise Income Tax Law, the PRC EIT is calculated at 25% on the estimated assessable profit for the year. Certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward and are entitled to 50% relief on the income tax in the following three years. One of these subsidiaries is entitled to 50% relief on the income tax (2018: 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 on 1 December 2020.

Other subsidiaries are subject to income tax rate of 25% (2018: 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% (2018: 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 2019 and 2018 as there was 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 2019 (2018: 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 2019 is based on the unaudited profit for the six months ended 30 June 2019 of approximate RMB20,083,000 (2018: approximate RMB22,493,000) and the weighted average number of domestic and H shares in issue of 1,233,144,000 (2018: 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 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 1 January 2019	527,106	98,495	26,554	105,721	16,346	164,610	938,832
Additions	—	3,302	—	6,437	—	—	9,739
Disposals	—	—	—	—	—	—	—
As at 30 June 2019	527,106	101,797	26,554	112,158	16,346	164,610	948,571
Accumulated depreciation:							
As at 1 January 2019	—	66,314	19,929	78,730	12,905	—	177,878
Charge for the period	—	17,351	1,942	1,716	88	—	21,097
Written back on disposal	—	—	—	—	—	—	—
As at 30 June 2019	—	83,665	21,871	80,446	12,993	—	198,975
Carrying amount:							
As at 30 June 2019 (unaudited)	527,106	18,132	4,683	31,712	3,353	164,610	749,596
As at 31 December 2018 (audited)	527,106	32,181	6,625	26,991	3,441	164,610	760,954

11. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	36,486	29,797
Work-in-progress	8,046	7,402
Finished goods	10,419	6,058
	54,951	43,257
Less: Allowance for inventories	(5,956)	(5,956)
	48,995	37,301

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 90 days	249,003	123,235
91 to 180 days	4,325	7,199
181 to 365 days	211	682
Over 365 days	—	95
	253,539	131,211
Less: Allowance for impairment loss	(187)	—
	253,352	131,211



13. TRADE AND BILLS PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	917,691	740,185
Bills payable	5,594	1,500
	923,285	741,685

The following is the ageing analysis of trade payables:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 90 days	813,412	636,568
91 to 180 days	33,264	35,693
181 to 365 days	12,995	13,441
Over 365 days	58,020	54,483
	917,691	740,185

14. BANK BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Secured bank borrowings	2,685,240	2,377,577

14. BANK BORROWINGS (CONTINUED)

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
On demand or within one year	1,334,622	1,268,081
After one year but within two years	180,000	79,478
After two years but within five years	280,618	245,018
More than five years	890,000	785,000
	2,685,240	2,377,577

15. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid:		
At 31 December 2018 and 30 June 2019	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 2019, the Group had capital commitment contracted but not provided approximately RMB511.8 million (2018: approximately RMB680.8 million), mainly in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of commercial and residential properties in Kunshan, Jiangsu, the PRC and construction of production plants, office and staff quarters in Hangzhou, Zhejiang, the PRC.

17. RELATED PARTY TRANSACTION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the six months ended 30 June 2019, the Group reported an unaudited revenue of approximate RMB513.5 million (2018: approximate RMB555.0 million), representing an approximate decrease of 7.5% as compared with the same period of last year, which was mainly due to decrease in sales of computer components.

	30 June 2019 RMB'000 (unaudited)	30 June 2018 RMB'000 (unaudited)	Change percent
Turnover			
Sales of special computer products (Note)	186,122	147,414	+26.3%
Sales of electronic products and accessories (Note)			
Computer components	836	195,768	-99.6%
Mobile phones and accessories	314,446	208,062	+51.1%
Sales of properties	12,051	3,788	+218.1%
	513,455	555,032	

Note: 2018 figures adjusted after re-classification.

Other income

For the six months ended 30 June 2019, the Group recorded an unaudited other income RMB135.2 million (2018: RMB101.9 million), representing an approximate increase of 32.6% as compared with the same period of last year. The increase was mainly due to rental income growth from investment properties and Government subsidies.

Gross Profit

For the six months ended 30 June 2019, the gross profit margin was slightly increased to approximately 16.8% as compared to approximately 10.7% of the same period of last year. The increase of gross profit margin was mainly due to decrease in lower profit margin business.



Profit for the Period

For the six months ended 30 June 2019, the Group recorded an unaudited net profit of approximate RMB20.1 million (2018: approximate RMB22.5 million), representing an approximate decrease of 10.7% as compared with the same period of last year. The decrease was mainly due to increase in financial cost expenses.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2019, the Group had shareholders' funds/net assets of approximate RMB2,279 million. It mainly comprised bank balances of approximate RMB1,265 million, inventories of approximate RMB49 million, properties under development of approximate RMB881 million and trade and bills receivables of approximate RMB292 million. Long-term bank borrowings amounted to approximately RMB1,351 million. Current liabilities of the Group mainly comprised bank borrowings of approximate RMB1,335 million, trade and bills payable of approximate RMB923 million, contract liabilities and other payables and accruals of approximate RMB308 million. Net assets value per share of the Group is approximately RMB1.85.

As at 30 June 2019, the gearing ratio of the Group is approximately 65.3% (, December 2018 approximately 64.1%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

As at 30 June 2019, 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 approximate RMB3,442 million (31 December 2018: approximate RMB3,442 million) as security for bank loans and general banking facilities granted to the Group. Except the above, there are no other charges on the Group's assets.

Employee Information

As at 30 June 2019, the Company had 855 full time employees and the total remuneration for the period was approximately RMB46.5 million (30 June 2018: approximately RMB47.5 million). The Group remunerates its employees based on performance, experience and prevailing industry practices. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

Contingent Liabilities

As at 30 June 2019, 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 distribution 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 assembling and trading of electronic products and accessories and development of properties in the PRC.

During the period, due to the further slowdown in GDP growth of the Chinese economy and the continuous uncertainties over the China-U.S. trade conflict, the domestic market demand for special computers showed a decrease as compared to the previous year. In Mainland China, the payment systems for social insurance, provident funds and individual income tax were improved, and the requirements for environmental protection and safe production were tightened, leading to rising operating costs for enterprises. This also contributed to the rapid increase in material costs for the surrounding supply chain. The housing price of the first-tier cities in Mainland China remained high and the total number of rural migrant workers decreased, resulting in the continuous increase in the staff costs of enterprises, which posed extremely difficult challenges to the profitability of the entire industry.

Since 2019, more and more Chinese enterprises have been included in the Entity List released by the U.S. Department of Commerce. There are thus more uncertainties over the supply of ICs (integrated circuits) from the U.S. The price of storage integrated circuits increased due to the trade conflict between Japan and South Korea. All of the above factors intensified the risks pertaining to the availability of and the price rise in the raw materials of special computers. With increasing uncertainties over the international trade environment, entities in the manufacturing industry showed lack of confidence, the market lacked motivation for updating and iterating information products, and the new generation had lower consumption expectations, which further reduced the market demand for special computers.



In face of the changing domestic and overseas markets, the Company adjusted its market expectations and operating strategies in a timely manner, as well as optimising the product structure, lowering the production costs and increasing the intelligent equipment to reduce the use of labour. The Company adhered to the “quality first” principle and strictly followed the all-around quality control measures throughout the process, not willing to compromise quality due to rising costs. By focusing on the market sub-segments with high quality and reliability, the Company continued to increase investment in product research and development and carry out intelligent upgrade of the production equipment, thereby maintaining the reputation of the high-end brand and nurturing quality customers in the industry.

The Company persisted in operating self-media platforms such as WeChat, Weibo and TikTok to enhance the two-way convenient communication with customers and set up exclusive private domain traffic. At the same time, the Company still adhered to the diversified sales models including direct sales, agents, online sales and telephone sales to seek markets and customers which fit us better and are more willing to pay for quality.

Development of Science and Technology Industrial Park Development and other properties

During the first half of 2019, the gross sales revenue from the real estate projects is amounted to approximately RMB12.0 million for the year. Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”) has completed and covers a gross floor area of approximate 260,000 sq.m. which consisted of 12 office buildings, commercial apartments and shops that are currently in sale; Section A2 of Wuxi has completed and covers a gross floor area of approximate 143,000 sq.m. which consisted of 84 office buildings that are currently in sale; phase 2 of Homer’s International Garden which is located at Dianshan Lake in Kunshan has completed and covers a gross floor area of approximate 56,000 sq.m. which consisted of 86 mansions and is expected to be completed in 2019; the first phase of the Nantong EVOC High Profile Office Park project has completed and covers a gross floor area of approximate 72,800 sq.m. which consisted of 39 office buildings, most parts of the project are completed and the interior decoration will be completed in 2019; Huaqiao EVOC International Finance Center in Kunshan has been designed as a 56-floor high-rise building which is 250-meter high and is expected to be completed in 2022.

Revenue from Leased Properties

During the first half of 2019, the gross rentable area of the Group was approximately 313,000 sq.m. From January to June, the Group achieved a total revenue from property rent amounting to approximately RMB95 million.



Research & Development and Products

The Company was committed to independent innovation and continued to develop the research and applications of special computers. Various domestic research institutes and units applying the products were brought together by the Company to carry out close collaboration in the development and industrialisation of special computer products based on the intelligent node of industrial internet. We strengthened the suitable matching among hardware and software, as well as launching system solutions.

New key products of the Company under research and development during the first half of 2019 include:

1. *Independent and controllable industrial servers for industrial applications*

A series of independent and controllable industrial server products will be provided to the industries with high information safety requirements such as communication and financial industries. BIOS technology and safety management software developed by EVOC are embedded in the products.

2. *High-performance multi-extension online computing platform*

The product targets the three safety areas of industrial control system, cloud and internet of things. An online computing platform will be provided for applications such as firewalls, anti-virus walls, physical isolation and intrusion detection.

Marketing and Brands

The Company continued to adopt the diversified sales models including direct sales, agents, online and offline sales and made full use of the online and offline resources for the full integration of marketing and promotion by way of trade exhibitions, distributor meetings, seminars, cooperation between the industry and the media, search engine bidding, self-media operation, etc. By closely linking our marketing channels with the industries of our customers, the Company increased investment in the areas of independence and controllability. Collaboration with upstream and downstream partners was commenced.

The Company adopted a flattened mode of channels to provide all-around substantial marketing support, which had been recognised by the distributing partners. By increasing investment in channel resources, the Company cooperated more closely with the distributing partners to complete projects and achieve sales targets.



The Company established a multi-dimensional training system centring on the EVOC Intelligence Valley Institute (研祥智谷學院). By utilising the internet training platform or technologies and conducting nationwide thematic cyclic training, centralised teaching and training, online course training and other training, distributors and employees were provided with a series of themed training on the sales systems and the technical systems, as well as training on industry sharing and cases of applications, etc.

Outlook and Prospect

Currently, due to the intensification of the China-U.S. trade conflict and the increasingly complicated and uncertain economic situation in China and the world, there are increasing risks pertaining to the availability of and the price rise in foreign ICs, which poses relatively serious concerns to the continuous production and technological innovation of special computers. Meanwhile, China is facing a gradual loss of demographic dividend and the environmental protection and production safety regulations are becoming more stringent. While the payment systems for enterprises' social insurance and provident funds see improvement, a large number of manufacturing enterprises are shifting to Southeast Asia or the inland cities of China. The turnover costs and the labour costs of special computers and raw materials show a significant upward trend. Emerging developing countries are quickly catching up by leveraging their cost advantages in local cheap labour and the opportunities brought by the shift of the international industry, which intensifies the competition in the special computer market. Going forward, the Chinese economy is expected to develop steadily with increasing uncertainties. There will be greater challenges for the special computer market of the PRC. We are cautiously optimistic about the development prospects.

The Company will continue to focus on the areas of special computers, striving to foster the strength of the brand and the reputation for quality while continuously nurturing market demand. The Company will impose adjustments on the traditional products in accordance with the competition trends, and may reduce the research, development and production of the unprofitable products.



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 2019 to 30 June 2019.

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 procedures and internal control system and providing advice and recommendations to the Board of Directors. The committee meets 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 had discussed with the management and reviewed the interim results of the Group for the six months ended 30 June 2019.

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. 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 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.

Directors' and Supervisors' Interests in the Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests and short positions of the Directors, supervisors (the "Supervisors") and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position — interests in the Company

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

Notes:

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

(b) Long position — interests in associated corporations

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

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

Substantial Shareholders

As at 30 June 2019, 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 2019, 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 2019, 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 Purchase 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 2019, 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.

Purchase, Sale or Redemption of Securities

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



Sufficiency of Public Float

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

Directors

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Geng Wen Qiang; the independent non-executive directors of the Group are Mr. Yu Tat Chi, Michael, Mr. Wen Bing, Mr. Dong Li Xin and Mr. Zhang Da Ming.

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

Shenzhen, PRC, 9 August 2019

The Company's 2019 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*