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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 with limited liability)

(Stock Code: 2308)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	Percent
Revenue	360,937	403,301	-10.5%
Other income	146,551	152,045	-3.6%
Profit/(loss) attributable to owners of the Company	9,338	(16,329)	+157.2%
Earnings/(loss) per share Basic (<i>RMB</i>)	<u>0.008</u>	<u>(0.013)</u>	

The Directors do not recommend payment of dividend for the six months ended 30 June 2021 (2020: 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 2021, together with the comparative unaudited results for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Turnover	4	360,937	403,301
Cost of sales		<u>(310,454)</u>	<u>(332,908)</u>
Gross profit		50,483	70,393
Other income	4	146,551	152,045
Selling and distribution costs		(16,104)	(18,748)
Administrative expenses		(44,848)	(46,495)
Other operating expenses		(39,986)	(51,594)
Fair value loss on investment properties		—	(20,127)
Fair value loss on transfer of properties held for sales to investment properties		—	(355)
Finance costs		<u>(85,322)</u>	<u>(106,421)</u>
Profit/(loss) before income tax	6	10,774	(21,302)
Income tax (expense)/credit	7	<u>(1,436)</u>	<u>4,973</u>
Profit/(loss) for the period attributable to owners of the Company		9,338	(16,329)
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of land and buildings		<u>—</u>	<u>7,087</u>
Other comprehensive income for the period, net of tax		—	7,087
Total comprehensive income/(expense) for the period attributable to owners of the Company		<u>9,338</u>	<u>(9,242)</u>
Earnings/(loss) per share — Basic and diluted	9	<u>RMB0.008</u>	<u>(RMB0.013)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	802,834	804,923
Investment properties		2,091,024	2,091,024
Right-of-use assets		74,248	81,059
Deferred tax assets		26,871	26,871
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Total non-current assets		2,994,977	3,003,877
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Current assets			
Inventories	<i>11</i>	109,561	74,006
Properties under development		758,538	722,050
Properties held for sale		1,345,618	1,356,712
Trade receivables	<i>12</i>	185,724	253,991
Bills receivable		48,811	47,188
Other receivables, deposits and prepayments		84,444	231,779
Contract costs		2,782	3,232
Amounts due from related companies		—	1,757
Cash and bank balances		2,660,575	2,486,422
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total current assets		5,196,053	5,177,137
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Current liabilities			
Trade payables	<i>13</i>	849,596	908,520
Bills payable	<i>13</i>	102,988	100,000
Contract liabilities		290,653	326,002
Other payables, accruals and receipts in advance		182,240	200,441
Amounts due to related companies		—	339
Lease liabilities		11,683	12,703
Bank borrowings	<i>14</i>	630,000	1,623,687
Income tax payable		—	95,718
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total current liabilities		2,067,160	3,267,410
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Net current assets		3,128,893	1,909,727
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Total assets less current liabilities		6,123,870	4,913,604
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		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank borrowings	<i>14</i>	2,857,470	1,672,410
Other payables, accruals and receipts in advance		34,742	15,410
Lease liabilities		39,706	43,172
Deferred tax liabilities		383,214	383,212
		<hr/>	<hr/>
Total non-current liabilities		3,315,132	2,114,204
		<hr/> <hr/>	<hr/> <hr/>
NET ASSETS		2,808,738	2,799,400
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	123,314	123,314
Reserves		2,685,424	2,676,086
		<hr/> <hr/>	<hr/> <hr/>
TOTAL EQUITY		2,808,738	2,799,400
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Properties revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	123,314	8,586	110,036	544,553	876	2,012,035	2,799,400
Profit for the period	—	—	—	—	—	9,338	9,338
Total comprehensive income for the period	—	—	—	—	—	9,338	9,338
At 30 June 2021 (unaudited)	<u>123,314</u>	<u>8,586</u>	<u>110,036</u>	<u>544,553</u>	<u>876</u>	<u>2,021,373</u>	<u>2,808,738</u>
At 1 January 2020	123,314	8,586	102,732	533,868	373	1,808,801	2,577,674
Loss for the period	—	—	—	—	—	(16,329)	(16,329)
Other comprehensive income for the period	—	—	—	7,087	—	—	7,087
Total comprehensive income/(expense) for the period	—	—	—	7,087	—	(16,329)	(9,242)
At 30 June 2020 (unaudited)	<u>123,314</u>	<u>8,586</u>	<u>102,732</u>	<u>540,955</u>	<u>373</u>	<u>1,792,472</u>	<u>2,568,432</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	37,075	56,683
NET CASH USED IN INVESTING ACTIVITIES	(10,108)	(9,718)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>147,186</u>	<u>333,327</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,153	380,292
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,486,422</u>	<u>1,281,634</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,660,575</u>	<u>1,661,926</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	2,660,575	1,661,926
Less: Pledged bank balances	—	(2,097)
CASH AND CASH EQUIVALENTS	<u>2,660,575</u>	<u>1,659,829</u>

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 Gaoxinzongsi 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 2021 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 2021 are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, 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 2021. 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover		
Sales of special computer products	224,240	261,205
Sales of mobile phones and accessories	111,537	117,497
Sales of properties	25,160	24,599
	<u>360,937</u>	<u>403,301</u>
Other income		
Gross rentals from investment properties	79,725	75,563
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties reimbursed from tenants	(20,182)	(23,964)
	<u>59,543</u>	<u>51,599</u>
Bank interest income	7,895	5,656
Government subsidies	68,254	43,475
Repairs and maintenance income	2,671	2,974
Sub-contracting income	4,563	7,981
Miscellaneous income	4,268	41,819
Foreign exchange differences, net	(643)	(1,459)
	<u>146,551</u>	<u>152,045</u>
	<u>507,488</u>	<u>555,346</u>

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 2021

	Special computer products and electronic products and accessories RMB’000	Property development RMB’000	Total RMB’000
External revenue	<u>335,777</u>	<u>25,160</u>	<u>360,937</u>
Reportable segment profit/(loss)	<u>15,071</u>	<u>(5,733)</u>	<u>9,338</u>
As at 30 June 2021			
Reportable segment assets	2,283,598	4,269,428	6,553,026
Reportable segment liabilities	<u>1,103,404</u>	<u>935,057</u>	<u>2,038,461</u>

5. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2020

	Special computer products and electronic accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	378,702	24,599	403,301
Reportable segment profit/(loss)	39,417	(48,659)	(9,242)
As at 30 June 2020			
Reportable segment assets	2,653,591	3,363,405	6,016,996
Reportable segment liabilities	1,223,079	1,338,158	2,561,237

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit/(loss)	9,338	(9,242)
Unallocated corporate expenses	86,758	94,361
Finance costs	(85,322)	(106,421)
Profit/(loss) before income tax	10,774	(21,302)

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	289,507	308,943
Cost of sales of properties recognised as an expense	20,947	23,964
Depreciation of property, plant and equipment	14,738	28,209
Research and development costs	32,574	46,456
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	47,612	47,506
Contributions to retirement benefits schemes	4,854	4,276

7. INCOME TAX EXPENSE

The Company and a subsidiary which have been approved as new and high technology enterprise are entitled to a concessionary tax rate of 15% for a period of three years. The Company and a subsidiary needs to re-apply for the preferential tax treatment when the preferential tax period expires on 10 December 2023.

Other subsidiaries are subject to income tax rate of 25% (2020: 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 under a two-tiered profits tax rates regime. The first HK\$2 million of profits are taxed at 8.25%, and the remaining profits above HK\$2 million are taxed at 16.5%.

No Hong Kong profits tax has been provided for the six months ended 30 June 2021 and 2020 as there was no estimated assessable profit.

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (2020: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to the owners of the Company for the six months ended 30 June 2021 is based on the unaudited profit/(loss) for the six months ended 30 June 2021 of approximate RMB9,338,000 (2020: approximate loss of RMB16,329,000) and the weighted average number of domestic and H shares issued of 1,233,144,000 (2020: 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 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost or valuation:							
As at 1 January 2021	716,405	124,744	19,158	129,132	17,139	22,071	1,028,649
Additions	—	7,026	—	5,623	—	—	12,649
As at 30 June 2021	<u>716,405</u>	<u>131,770</u>	<u>19,158</u>	<u>134,755</u>	<u>17,139</u>	<u>22,071</u>	<u>1,041,298</u>
Accumulated depreciation:							
As at 1 January 2021	—	103,645	14,455	91,700	13,926	—	223,726
Charge for the period	—	7,497	306	6,315	620	—	14,738
As at 30 June 2021	<u>—</u>	<u>111,142</u>	<u>14,761</u>	<u>98,015</u>	<u>14,546</u>	<u>—</u>	<u>238,464</u>
Carrying amount:							
As at 30 June 2021 (unaudited)	<u>716,405</u>	<u>20,628</u>	<u>4,397</u>	<u>36,740</u>	<u>2,593</u>	<u>22,071</u>	<u>802,834</u>
As at 31 December 2020 (audited)	<u>716,405</u>	<u>21,099</u>	<u>4,703</u>	<u>37,432</u>	<u>3,213</u>	<u>22,071</u>	<u>804,923</u>

11. INVENTORIES

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Raw materials	82,615	47,286
Work-in-progress	14,957	10,297
Finished goods	<u>11,990</u>	<u>17,930</u>
	109,562	75,513
Less: Allowance for inventories	<u>(1)</u>	<u>(1,507)</u>
	<u>109,561</u>	<u>74,006</u>

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	170,100	249,803
91 to 180 days	8,478	797
181 to 365 days	3,043	753
Over 365 days	4,103	2,638
	<u>185,724</u>	<u>253,991</u>
Gross trade receivables	<u>185,724</u>	<u>253,991</u>

13. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	849,596	908,520
Bills payable	102,988	100,000
	<u>952,584</u>	<u>1,008,520</u>

The following is the ageing analysis of trade payables:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	625,625	715,731
91 to 180 days	45,540	3,345
181 to 365 days	30,021	27,183
Over 365 days	148,410	162,261
	<u>849,596</u>	<u>908,520</u>

14. BANK BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current		
Secured bank borrowings	630,000	1,623,687
Non-current		
Secured bank borrowings	2,857,470	1,672,410
	3,487,470	3,296,097

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

— On demand or within one year	630,000	1,623,687
— After one year but within two years	997,480	323,000
— After two years but within five years	849,500	355,500
— More than five years	1,010,490	993,910
	2,857,470	1,672,410
	3,487,470	3,296,097

15. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
At 31 December 2020 and 30 June 2021	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 2021, the Group had capital commitment contracted but not provided approximately RMB921.9 million (2020: approximately RMB1,076.0 million) respectively, mainly in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of commercial and residential properties in Kunshan, Jiangsu, the PRC and construction of production plants, office and staff quarters in Hangzhou, Zhejiang, the PRC.

17. RELATED PARTY TRANSACTION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the six months ended 30 June 2021, the Group reported an unaudited revenue of approximate RMB360.9 million (2020: approximate RMB403.3 million), representing an approximate decrease of 10.5% as compared with the same period of last year, which was mainly due to decrease in sales of special computer products.

	30 June 2021	30 June 2020	Change
	<i>RMB'000</i>	<i>RMB'000</i>	percent
	(unaudited)	(unaudited)	
Turnover			
Sales of special computer products	224,240	261,205	-14.2%
Sales of mobile phones and accessories	111,537	117,497	-5.1%
Sales of properties	25,160	24,599	+2.3%
	<u>360,937</u>	<u>403,301</u>	

Other income

For the six months ended 30 June 2021, the Group recorded an unaudited other income RMB146.6 million (2020: RMB152.0 million), representing an approximate slightly decrease of 3.6% as compared with the same period of last year.

Gross Profit

For the six months ended 30 June 2021, the gross profit margin was decreased to approximately 14.0% as compared to approximately 17.5% of the same period of last year. The decrease of gross profit margin was mainly due to rising in raw materials cost.

Profit for the Period

For the six months ended 30 June 2021, the Group recorded an unaudited net profit of approximate RMB9.3 million (2020: net loss of approximate RMB16.3 million). The increase was mainly due to decrease in research and development expenses.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2021, the Group had shareholders' funds/net assets of approximate RMB2,809 million. It mainly comprised bank balances of approximate RMB2,661 million, inventories of approximate RMB110 million, properties under development of approximate RMB759 million and trade and bills receivables of approximate RMB235

million. Long-term bank borrowings amounted to approximately RMB2,857 million. Current liabilities of the Group mainly comprised bank borrowings of approximate RMB630 million, trade and bills payable of approximate RMB953 million, contract liabilities and other payables and accruals of approximate RMB473 million. Net assets value per share of the Group is approximately RMB2.28.

As at 30 June 2021, the gearing ratio of the Group is approximately 65.7% (31 December 2020: approximately 65.8%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

As at 30 June 2021, 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 RMB3,132.4 million (31 December 2020: approximate RMB3,132.4 million) as security for bank loans and general banking facilities granted to the Group. Except the above, there are no other charges on the Groups assets.

Employee Information

As at 30 June 2021, the Company had 802 full time employees and the total remuneration for the period was approximately RMB47.6 million (30 June 2020: approximate 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 2021, 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 enhancing and transforming the traditional manufacturing 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.

As a result of the ongoing COVID-19 epidemic and the tight supply in the raw material market, China and global economy have not yet returned to normal levels. The decline in business orders from certain domestic customers, the slowdown in production and operation activities, and the significant decrease in fixed asset investment led to the declining market demand for special computers. Moreover, due to the shortage of semiconductor devices across the globe, the delivery of materials was delayed or even suspended and their supply prices increased significantly, thereby increasing the product costs. In addition, the relevant epidemic prevention requirements must be strictly complied with in a bid to prevent the epidemic. The Company continuously invested in epidemic prevention materials and increased the efforts in epidemic prevention, which pushed up the production and operation costs. As the epidemic continued to spread worldwide, cost of raw materials increased, domestic sales lagged and international trade weakened, resulting in serious impact on the domestic and overseas sales of special computer products.

In 2021, the U.S. Department of Commerce continued its sanctions on certain enterprises or institutions of China by including them in the Entity List. More export restrictions were imposed on certain semiconductor devices and industrial design software from the U.S. The constant trade and diplomatic conflicts between China and the U.S. intensified the risks of the availability and the increase in price of imported raw materials for special computers. With increasing uncertainties over the international trade and diplomatic environment, the market lacked motivation for updating and iterating information products, which reduced the market demand for special computers.

Based on the assessment and judgment of the global epidemic and the changing development trends of the domestic and overseas markets, the Company adjusted its market expectations and operating strategies in a timely manner. It continued to apply the sales rule of “cash before delivery” to enhance cash flow and mitigate transaction risks. By adjusting and optimizing the structure and system of distributors, internal delivery and inventory pressure could be alleviated, guaranteed sources of supply could be provided to distributors to ensure better services for customers. The Group was more prudent in assessing research and development projects for new products, and it ensured appropriate investment in research and development, and maintained the update and iteration of existing product series, with a focus on the market and customers in Mainland China.

Development of Science and Technology Industrial Park and Other Properties

For the first half of 2021, the gross sales revenue from the construction of the Science and Technology Industrial Park amounted to approximately RMB25 million, mainly in Wuxi. Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”) has a completed gross floor area of approximately 177,000 sq.m., which consists of 12 office and commercial buildings that are currently in sale. Section A2 of Wuxi has a completed gross floor area of approximately 132,000 sq.m., which consists of 84 office buildings that are currently in sale. Phase 2 of Homer’s International Garden at Dianshan Lake in Kunshan was fully completed in 2020 with a gross floor area of approximately 56,000 sq.m. The first phase of the Nantong EVOC Science and Technology Park project was fully completed in 2020 with a gross floor area of approximately 72,800 sq.m., which consists of 39 office buildings. Huaqiao EVOC International Finance Center in Kunshan has been designed as a 250-metre high-rise building with 56 stories, and is expected to be fully completed in 2023.

Revenue from Leased Properties

For the period ending 30 June 2021, the total leased area of the Group reached 264,000 sq.m., achieving total property rental revenue of approximately RMB80 million; the average rental occupancy rate was approximately 70%. The EVOC Technology Building in Hangzhou was completed in 2017, and a gross floor area of approximately 66,000 sq.m. was rented other than a portion for self-use. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed in early 2014 with a gross floor area of approximately 245,000 sq.m. The project includes one research and development office building, two buildings of plants and one furnished apartment building with an approximate gross floor area of 58,000 sq.m., 92,000 sq.m. and 55,000 sq.m. respectively, as well as an underground parking lot occupying approximately 40,000 sq.m. Shenzhen EVOC Technology Building was completed in 2007 with a gross floor area of approximately 62,000 sq.m. Other than keeping a small portion for self-use, all the units in the building were rented. For Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”), offices with a gross floor area of approximately 50,000 sq.m. and commercial lots with a gross floor area of approximately 54,000 sq.m. were available for lease. Phases 1 and 2 of Homer’s International Garden at Dianshan Lake in Kunshan have a gross floor area of approximately 47,000 sq.m. for office use, and part of it was rented.

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 research and development and industrialization of products based on the intelligent node of industrial internet. It strengthened the suitable matching among hardware and software, and launched competitive products and system solutions.

Marketing and Brands

The Company continued to adopt the diversified sales models including direct sales, distribution, online sales and offline sales, making full use of the resources of direct customers and distributors and the online and offline advantages. Marketing and communication efforts were fully integrated by engaging in distributor meetings, seminars, media partnerships, search engine bidding, information flow promotion and self-media operation.

Consistently aiming for professional development, the Company focused on building brand assets and the reputation for quality. It provided comprehensive product support and service through its branches, official website, customer hotline, WeChat public account and online shops. It continuously won the trust of its customers by quickly responding to their needs.

Outlook and Prospect

Currently, due to the ongoing epidemic the world over, the stalemate in the China-U.S. trade frictions, and the shortage and price rise of semiconductors and related raw materials, more risks and challenges are brought to the Chinese economy and even the world economy. The rising raw material costs and the epidemic prevention and control lead to the continuous increase in manufacturing costs in Mainland China and reduce the competitive edges of the manufacturing industry. The slowdown in international trade creates negative impact on the market sales of special computers. There are increasing risks pertaining to the shortage and price rise of foreign semiconductor devices, which pose relatively serious concerns to the continuous production and technological innovation of special computers. Meanwhile, as a result of the rising prices of basic supplies and changes in demographic structure, higher requirement is placed towards the management of the turnover costs of raw materials and the labour costs of special computers.

Looking forward, China and the global economy will be operated under the influence of epidemic and the “normalization” of raw material shortages. Under the new opportunities and challenges ahead, the Company will seize the chances to continue to implement its business plan in a prudent manner. The Company will focus on the research and development of special computer products and speed up the application and innovation of intelligent software and hardware 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 2021 to 30 June 2021.

Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors, including Ms. Wu Yan Nan, Ms. Li Qian and Ms. Xu Hai Hong. Ms. Xu Hai Hong 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 2021.

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, Ms. Wu Yan Nan and Ms. Xu Hai Hong. Ms. Wu Yan Nan 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, Ms. Wu Yan Nan and Ms. Li Qian. 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 2021, 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’s holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) Long position — interests in associated corporations

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

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

Substantial Shareholders

As at 30 June 2021, 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 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 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's 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 2021, 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 2021, 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 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, except for Mr. Chen, 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 2021, 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 competes 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, and Mr. Geng Wen Qiang; the independent non-executive Directors of the Group are Ms. Wu Yan Nan, Ms. Li Qian and Ms. Xu Hai Hong.

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

Shenzhen, PRC, 11 August 2021

The Company's 2021 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*