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研祥智能科技股份有限公司
EVOIC 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 2015**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2015 RMB'000	2014 RMB'000	
Revenue	1,444,099	2,312,702	-37.6%
Other income	144,400	92,160	+56.7%
Profit attributable to equity holders of the Company	229,721	119,596	+92.1%
Earnings per share			
Basic (RMB)	0.186	0.097	+91.8%
Proposed final dividend (per share) (RMB)	0.015	0.015	—

The Board decides to recommend payment of a final dividend of RMB0.015 per share (2014: RMB0.015 per share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Monday, 30 May 2016 at 10:30 a.m. (Hong Kong Time).

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 2015, together with the comparative figures for the corresponding year in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	Year ended 31 December	
		2015	2014
		RMB'000	RMB'000
		(Audited)	(Audited)
Turnover	4	1,444,099	2,312,702
Cost of sales		<u>(1,225,048)</u>	<u>(2,072,727)</u>
Gross profit		219,051	239,975
Other income	4	144,400	92,160
Selling and distribution costs		(40,156)	(43,099)
Administrative expenses		(46,200)	(44,337)
Other operating expenses		(99,125)	(68,217)
Fair value gain on investment properties		19,345	24,697
Fair value gain on transfer of properties held for sale to investment properties		120,256	1,097
Finance costs		<u>(52,678)</u>	<u>(76,169)</u>
Profit before income tax	5	264,893	126,107
Income tax expense	6	<u>(35,172)</u>	<u>(6,511)</u>
Profit for the year attributable to owners of the company		<u>229,721</u>	<u>119,596</u>
Other comprehensive income, after tax			
Items that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of land and buildings		87,711	166,799
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		<u>(58)</u>	<u>(10)</u>
Other comprehensive income for the year, net of tax		<u>87,653</u>	<u>166,789</u>
Total comprehensive income for the year attributable to owners of the Company		<u>317,374</u>	<u>286,385</u>
Earnings per share — Basic and diluted (RMB)	8	<u>0.186</u>	<u>0.097</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 RMB'000 (Audited)	2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		965,334	915,004
Investment properties		936,138	530,439
Prepaid land lease payments		45,569	46,585
Deferred tax assets		26,420	26,269
Total non-current assets		1,973,461	1,518,297
Current assets			
Inventories		26,909	38,670
Properties under development		653,107	737,586
Properties held for sale		906,719	894,223
Prepaid land lease payments		1,016	1,016
Trade receivables	9	105,882	42,965
Bills receivable	9	26,724	23,009
Other receivables, deposits and prepayments		107,992	489,491
Cash and bank balances		418,671	251,750
Total current assets		2,247,020	2,478,710
Current liabilities			
Trade payables	10	382,637	278,306
Bills payable	10	265	2,341
Other payables, accruals and receipts in advance		278,067	661,994
Bank borrowings		1,218,400	919,000
Income tax payable		13,226	10,254
Total current liabilities		1,892,595	1,871,895
Net current assets		354,425	606,815
Total assets less current liabilities		2,327,886	2,125,112
Non-current liabilities			
Bank borrowings		315,395	470,000
Deferred tax liabilities		268,382	209,880
Total non-current liabilities		583,777	679,880
NET ASSETS		1,744,109	1,445,232
CAPITAL AND RESERVES			
Share capital		123,314	123,314
Reserves		1,620,795	1,321,918
TOTAL EQUITY		1,744,109	1,445,232

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")

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.

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹

¹ Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) — 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.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's 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, manufacturing and distribution of Special Computer products and trading of electronic accessories
- Sales of development properties

Inter-segment transactions, if any, 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.

Certain comparative figures on the measurement of the segment results have been restated to conform to the current year's presentation.

For the year ended 31 December 2015

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	<u>1,268,682</u>	<u>175,417</u>	<u>1,444,099</u>
Reportable segment profit	<u>54,409</u>	<u>105,857</u>	<u>160,266</u>
Interest income	1,265	117	1,382
Depreciation and amortisation	(27,120)	(2,517)	(29,637)
Reversal of impairment loss on trade receivables	104	—	104
Reversal of impairment loss on inventories	2,133	—	2,133
Reportable segment assets	869,588	2,182,400	3,051,988
Additions to non-current assets	4,044	124,528	128,572
Reportable segment liabilities	<u>(789,142)</u>	<u>(1,225,621)</u>	<u>(2,014,763)</u>

For the year ended 31 December 2014

	Special Computer products and electronic accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	<u>2,359,697</u>	<u>(46,995)</u>	<u>2,312,702</u>
Reportable segment profit/(loss)	<u>160,252</u>	<u>(70,754)</u>	<u>89,498</u>
Interest income	6,247	53	6,300
Depreciation and amortisation	(23,707)	(2,401)	(26,108)
Reversal of impairment loss on trade receivables	8,398	—	8,398
Reversal of impairment loss on inventories	1,808	—	1,808
Reportable segment assets	1,357,640	1,577,568	2,935,208
Additions to non-current assets	25,980	65,906	91,886
Reportable segment liabilities	<u>(1,411,837)</u>	<u>(509,804)</u>	<u>(1,921,641)</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, manufacturing and distribution of Special Computer products and trading of electronic accessories":

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Customer A	626,656	1,833,293
Customer B	<u>186,452</u>	<u>N/A</u>

Note: Revenue from Customer B contributed less than 10% of the revenue of Group for the year ended 31 December 2014.

- (b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	<u>1,444,099</u>	<u>2,312,702</u>
Profit before income tax		
Reportable segment profit	160,266	89,498
Other income	144,400	92,160
Fair value gain on investment properties	16,246	24,697
Unallocated corporate expenses	(3,341)	(4,079)
Finance costs	<u>(52,678)</u>	<u>(76,169)</u>
Profit before income tax	<u>264,893</u>	<u>126,107</u>

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Reportable segment assets		
Reportable segment assets	3,051,988	2,935,208
Deferred tax assets	26,420	26,269
Property, plant and equipment	472,296	531,662
Investment properties	665,018	499,322
Unallocated corporate assets	4,759	4,546
	<u>4,220,481</u>	<u>3,997,007</u>
Consolidated total assets	<u>4,220,481</u>	<u>3,997,007</u>
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Reportable segment liabilities		
Reportable segment liabilities	2,014,763	1,921,641
Bank borrowings	180,000	410,000
Deferred tax liabilities	268,382	209,880
Tax payables	13,226	10,254
	<u>2,476,371</u>	<u>2,551,775</u>
Consolidated total liabilities	<u>2,476,371</u>	<u>2,551,775</u>

(c) Geographic information

All revenue from external 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.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Turnover		
Sales of Special Computer products	337,713	350,686
Sales of electronic products and accessories	930,969	2,009,011
Sales of properties (<i>note (a)</i>)	175,417	(46,995)
	<u>1,444,099</u>	<u>2,312,702</u>
Other income		
Gross rentals from investment properties	86,550	67,346
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties reimbursed from tenants	(21,169)	(26,031)
	<u>65,381</u>	41,315
Bank interest income	1,382	6,300
Value-added tax (“VAT”) concessions (<i>note (b)</i>)	21,170	5,398
Reversal of impairment loss on trade receivables	104	8,398
Government subsidies (<i>note (c)</i>)	45,274	17,643
Repairs and maintenance income	2,859	9,140
Sub-contracting income	552	185
Sundry income	7,678	3,781
	<u>144,400</u>	<u>92,160</u>
	<u>1,588,499</u>	<u>2,404,862</u>

- (a) In 2014, the Group received a request for return and cancellation of a sale of property (“return”) from a property buyer that had been recognised as sales in prior years. As a result of the return, turnover less cost of sales was reduced by RMB45,300,000 and property held for sales was increased by RMB14,710,000. Land appreciation tax in respect of the return was also reversed by RMB20,087,000 in 2014.
- (b) VAT refunds were obtained from local tax authority in respect of sales of approved software and integrated circuit products.
- (c) 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.

5. PROFIT BEFORE INCOME TAX

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Auditor's remuneration	1,476	1,303
Cost of inventories recognised as an expense (<i>note (a)</i>)	1,099,018	2,080,564
Cost of properties recognised as an expense	126,030	(7,837)
Depreciation of property, plant and equipment	28,621	25,091
Amortisation of prepaid land lease payments	1,016	1,017
Foreign exchange difference, net	193	2,094
Loss on disposal of property, plant and equipment	21	380
Loss on property, plant and equipment written off	1,126	—
Reversal of impairment loss on trade receivables	(104)	(8,398)
Reversal of impairment loss on inventories	(2,133)	(1,808)
Minimum lease payments under operating leases	7,727	6,404
Research and development costs (<i>note (b)</i>)	68,708	58,010
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	69,581	67,765
Contributions to retirement benefits schemes	6,686	6,267
	<u>76,267</u>	<u>74,032</u>

Notes:

- (a) Cost of inventories sold includes staff costs and depreciation of RMB21,497,000 (2014: RMB20,397,000) and RMB5,742,000 (2014: RMB5,880,000) respectively, which are also included in the total amounts disclosed above for each of these types of expenses.
- (b) Research and development costs exclude depreciation charge of RMB2,122,000 (2014: RMB2,065,000).

6. INCOME TAX EXPENSE

The amount of income tax in the consolidated statement of comprehensive income represents:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax — PRC		
Enterprise income tax ("EIT")		
Current year	1,065	11,044
(Over)/under-provision in respect of prior year	(131)	351
Land appreciation tax ("LAT")		
Current year	4,885	—
Reversal in response to return of property sold	—	(20,087)
	<u>5,819</u>	<u>(8,692)</u>
Deferred taxation		
Origination and reversal of temporary differences, net	<u>29,353</u>	<u>15,203</u>
	<u>29,353</u>	<u>15,203</u>
Income tax expense	<u>35,172</u>	<u>6,511</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 exempted from income tax while others are subject to income tax rate of 25% (2014: 25%) during the reporting period.

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

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

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the year ended 31 December 2015 as there was no estimated assessable profit. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2014.

7. DIVIDENDS

The final dividends for the year ended 31 December 2014 of approximately RMB18,497,000 was approved by shareholders at the annual general meeting on 29 May 2015 and paid on 17 July 2015.

The Board of directors recommended the payment of final dividend RMB0.015 per share for the year ended 31 December 2015 (2014: RMB0.015).

The proposed final dividend for the year is subject to the approval by shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting and the arrangement for closure of register of members will be separately announced.

8. EARNINGS PER SHARE

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

	2015	2014
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (<i>RMB'000</i>)	<u>229,721</u>	<u>119,596</u>
Weighted average number of domestic and H shares in issue	<u>1,233,144,000</u>	<u>1,233,144,000</u>
Basic earnings per share (<i>RMB</i>)	<u>0.186</u>	<u>0.097</u>

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 both years.

9. TRADE AND BILLS RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	106,055	43,455
Allowance for impairment losses	(173)	(490)
Trade receivables, net	105,882	42,965
Bills receivable	26,724	23,009
Total	<u>132,606</u>	<u>65,974</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.

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 to 90 days	14,283	37,099
91 to 180 days	7,065	1,265
181 to 365 days	84,322	1,957
Over 1 year	385	3,134
Gross trade receivables	<u>106,055</u>	<u>43,455</u>

10. TRADE AND BILLS PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	382,637	278,306
Bills payable	265	2,341
	<u>382,902</u>	<u>280,647</u>

The following is the ageing analysis of trade payables:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 to 90 days	366,930	260,873
91 to 180 days	2,019	13,957
181 to 365 days	3,601	506
Over 1 year	10,087	2,970
	<u>382,637</u>	<u>278,306</u>

11. EVENT AFTER THE REPORTING DATE

In December 2015, the Group entered into agreement with a third party to purchase 60 units of government subsidized houses in Guangming, Shenzhen as staff quarters of the Group. The purchase was completed in the first quarter of 2016.

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, to promote the development of these industries towards the direction of information, intelligence, digitalization and automation at a faster pace, and to improve and enhance the quality of human life. The Company was also engaged in the sale of electronic products and accessories and property development business.

The Company became the world's first premium partner with Microsoft in the embedded technology field since the end of 2011, and possesses the qualification of simultaneous research and development and production of chip products, and thus manages to rapidly provide innovative solutions to foster market development. With the establishment of a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on the application of embedded technology, the Company has the dominance in deciding the formulation of national standards for the Chinese Special Computer industry. The Company has been approved to establish "National Research and Develop Center of Special Computer Engineering Technology" (國家特種計算機工程技術研究中心) which is featured with uniqueness and exclusiveness in the industry, meaning that the Company becomes the sole support organization for the National Research and Develop Center of Special Computer Engineering Technology. The "EVOC" trademark of the Company was recognized as "Famous Trademark of China" by the State Administration for Industry and Commerce, which is also the first famous trademark obtained by Special Computer enterprise in China. The trademark enhanced the international influence for the "EVOC" brand of the Company, and the effective protection of its proprietary intellectual property rights and trademark brands, thereby significantly enhancing its overall competitive edges.

In 2015, China's macro-economy is running at a reasonable range. Major indicators gradually improved and showed the sign of stabilization and further improvement. The Chinese government launched a series of development policies during the period under review, such as "Great Ocean Power", "One Belt and One Road", "Made in China 2025", "Foundation Consolidation Project", with a view to enhancing the comprehensive national power. These measures have brought extensive opportunities for the Chinese Special Computer industry.

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

During the period under review, the construction of Wuxi Service Outsourcing Base Project and Jiangsu Kunshan EVOC Dianshan Lake Property Base Project invested by the Company progressed well. Aiming at the market environment, the Company increased marketing efforts for the property

and accelerated the speed of capital turnover. The above property development projects were in line with the Company's long-term development strategy and would bring the Company a stable cash flow and increase the Company's overall revenue.

Real Estate Development

In 2015, sales of the real estate projects of the Company created another record high. The total area sold reached about 11,000 sq.m. and the gross sales revenue amounted to around RMB175,000,000 for the year, including about RMB90,000,000 arising from sales of section A1 of Wuxi SHIOC International Outsourcing Base (無錫深港國際) and about RMB85,000,000 as the sales proceeds from phase 1 of Dianshan Lake Property Base project in Kunshan city, Jiangsu. Wuxi SHIOC International Outsourcing Base section A1 now covers a building area of around 200,000 sq.m.. The first phase of Dianshan Lake Property Base project in Kunshan city, Jiangsu has fully completed in 2015 in a total building area of around 44,000 sq.m..

Property Investment

In 2015, gross rentable area of the Group was approximately 150,000 sq.m., and the revenue from property rent amounted to about RMB87 million for the year. As a grade A office building under construction, EVOC City Plaza in Hangzhou has completed construction of the main structure at end of 2015 and will be in service at end of 2016 as planned, which then will increase approximately 67,000 sq.m. to the rentable area of the Group. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed in 2014, and the total building area is around 245,000 sq.m.. It includes a 22-floor research and development office building, two buildings of research and development plants and one apartment block in a gross building area of approximately 58,000 sq.m., 92,000 sq.m. and 55,000 sq.m., respectively. Besides, it owns an underground parking lot occupying approximately 40,000 sq.m..

Result of the Year

In 2015, the Group recorded a turnover of approximately RMB1,444.1 million, representing approximately 37.6% decrease as compare with last year. Of which sales of Special Computer was approximately RMB337.7 million, representing a decrease of approximately 3.7%, trading of electronic products and accessories was approximately RMB931.0 million, representing a decrease of approximately 53.7%, while sales of properties was approximately RMB175.4 million, representing an increase of approximately 7.5 times as compared to previous year. Profit attributable to owners of the Company was approximately RMB229.7 million. Excluding fair value gains approximately RMB139.6 million, core profit attributable to owner was approximately RMB90.1 million. Core profit margin attributable to owners was approximately 6.2%.

Research & Development

During the period under review, with a focus on hot issues of the industry and key technological breakthroughs, we launched related investigation on the industry and issued reports thereon. The reports served to provide the personnel of our R&D and product departments better understanding of the industry and form a basis and reference from which the Company's future product lines can be framed. During the period, the Company carried out research and analysis on major issues such as intelligent manufacturing, industry 4.0 and homemade hardware and software. In addition, the Company also established specific group for certain technological issues at the R&D center, with the aim of conducting research on the common issues and technologies in relation to product application and industrial application. The Company had applied for a number of patents and copyright of software. During the period under review, the Company drafted and formulated the standard of Part

One of the Automation System Embedded Calculator Controller: General Information, Universal Standard of Emergency Vehicle Mounted Calculator, the drafting of which had a prominent role in enhancing the technical level of the industry and leading the advance of industry.

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

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

New key products of the Company under research and development during 2015 include:

1. *Home-made human interface device*

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

2. *Home-made Loongson server*

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

3. *Rugged portable computer*

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

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

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

5. *High-end intelligent devices*

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

6. *Miniature compact industrial machine*

The product met the technical requirements of compact structure and strong environmental adaptability for industrial control unit. The product broke through the minimum size of the IPC machine in the industry, using compact design, single board structure, and was suitable for installation in a narrow space, and it still has good scalability in the small volume; the product can withstand the application environment of strong shock and vibration in the industrial site, and can be used in automatic control, automatic detection, highway, intelligent transportation, medical equipment and other fields.

During the period, the Company took an active approach to promote the development of the industry by establishing industry alliances and associations. Based on the national engineering technology center platform and in collaboration with the up-stream and down-stream enterprises and governmental authorities, higher education institutes and research institutes, the Company played an active role in founding the alliance of special computer industry. Aiming to promote the development of safe, autonomous and controllable system industry, the alliance has made various efforts in facilitating the solution of industry challenges, cooperation among manufacturing, academics and research, application of technological achievements and industry training. The alliance has facilitated the involvement of leading domestic enterprises engaging in the business of home-made processor, home-made operation system, engineering control machine, engineering control system applications, and professors and experts in embedded, computer and engineering control system from the Peking University, Tsinghua University, Sun Yat-sen University, South China University of Technology, Shenyang Institute of Automation of Chinese Academy of Sciences in providing advices on the national nuclear, high-tech and fundamental major projects 13th five-year plan and the manned space flight 13th five-year project of the State Administration

of Science, Technology and Industry for National Defense. Through these efforts, the Company has achieved the R&D collaboration in industrial big data and secure engineering control machine with the combination of industrial, academic and research parties.

During the period, the Company made outstanding achievement in the informatization construction, winning the honorary title as one of top 100 enterprises in information industry in China in 2016; national standards of industrial calculator developed by the Company won 2014 Shenzhen City Science and Technology Award (Standard Award); the product EVOC Intelligent Vision won 2015 Shenzhen Industry Award (Enterprise); EVOC new generation of industrial control computer technology won 2016 Guangdong Province Patent Award for Excellence Award; EVOC domestic industrial computer hardware and software reinforcement technology research and industrialization project won the first prize in 2015 Shenzhen City Science and Technology.

Marketing and Brands

The Company offers Special Computer products in three series and solutions tailored for a number of industries. The Special Computer products manufactured and sold by us are widely applied in railway transportation, coal mine safety, environmental protection, communications, commerce, industrial sector, finance, energy, military, video frequency control and internet.

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

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

1. We held “Sailing Forward to Realize Brand Success” (羊帆起航品牌制勝) — 2015 EVOC Annual Conference on Strategic Core Distribution in Shenzhen, PRC to explore successful transformation of “high-end brand” strategy in 2014 with distributors, share the business growth brought about by the brand influence in 2014, and discuss how enterprises could maintain sustainable growth in 2015 to create new record of net profits.
2. The Company prepared and implemented the thematic micro marketing proposal in light of big data server, intelligent manufacturing, rugged appliance and machine vision, as a result of which the Company increased exposure and influence of EVOC’s brand in related areas effectively.
3. The Company held “Innovation and Reform Creating New Vision” (創新格局變革新視界) — 2015 EVOC Semi-annual Summit with Channel Cooperation Partner in Shenzhen, PRC to explore with the channel cooperation partners how to seize the vast opportunities arising from “Internet+” era under the background of “Mass Innovation, Start-ups by all” (大眾創新，萬眾創業) and the opportunity of emerging industrial application arising from “Made in China 2025” in 2015 when “makers” surge. The Company also helped its channel cooperation partners to solve practical difficulties in the course of development and embrace the new opportunity from the policy-oriented industries by “Teamwork to Bring New Model” (群策群力，革新模式).
4. The Company continued to increase the investment in the micro-marketing field, continued the efforts in promotion and cooperation of search engine with Baidu and Google, adjusted investment direction and budget distribution of Baidu promotion, increased promotion pathway for 360 search engine, cooperated with new media platforms of the third party industry, improved the proportion of SEO investment and continuously improved the exposure rate of EVOC brand.
5. The Company strengthened efforts in promoting “Internet+” platforms. By planning the second anniversary promotion activity of EVOC Commerce Mall to increase the popularity, we increased the coverage of customer demands, improved the operation efficiency of EVOC Commerce Mall and EVOC official micro-blog and increased the investment in micro marketing continually. The Company innovated the sales services by facilitating the customer service to fully cover the mobile portal, as a result of which the operating performance of the online marketing was improved significantly.
6. The Company participated in the First China Intelligent Equipment Industry Expo and the Fourth China Electronic Equipment Industry Expo in 2015. The exhibition was the only one themed with intelligent and electronic equipment industry, sponsored by the Shenzhen Municipal People’s Government.
7. The Company hosted the ‘symposium on the development of the ocean and space technology of the National Engineering Center’ in Shenzhen, China.
8. The Company was invited to attend the third China (Mianyang) Science and Technology City International Science and Technology Fair and settled in the National Independent Innovation Demonstration Zone in Shenzhen, the exhibition was a key science and technology exhibition co-sponsored by the Ministry of Science and Technology and the People’s Government of Sichuan Province, regularly held in Mianyang, Sichuan every year.

9. In the background of files moving towards practice of transformation and upgrading of “Made in China 2025” promoted by “combination of informatization and industrialization”, it stood in the height of overall industry, held the report themed with the “innovation pattern boosts industrial Internet” in Beijing and Shanghai together with the national special calculator engineering technology research center and Chinese IPC industry, respectively helped Made in China 2025 step into deepwater areas and assisted high-end equipment become the new industrial engine.
10. The Company held “innovation pattern, win-win resonance” — 2015 channel partners year-end summit in Guilin, China, discussed the industry structure, the layout of the market, channel policy and marketing training and other issues with channel partners, studied how to continue the idea of “innovation promoting optimization, reform promoting layout and novelty promoting growth” in 2016, took many initiatives to ensure win-win resonance with channel partners and together greeted the new height of net profit in the “Age of Light”.

Outlook & Prospects

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

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

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

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2015, the Group's reported a total revenue of approximately RMB1,444.1 million (2014: approximately RMB 2,312.7 million) representing a decrease of approximately 37.6%, analysed by product category as follows:

	2015	2014	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>percentage</i>
Turnover			
Sales of Special Computer products	337,713	350,686	-3.7%
Sales of electronic products and accessories	930,969	2,009,011	-53.7%
Sales of properties	175,417	20,690	+747.8%
Less: Sales returns of properties sold	—	(67,685)	—
	<u>1,444,099</u>	<u>2,312,702</u>	<u>-37.6%</u>

Cost of sales and Gross Profit Margin

Cost of sales for the period decreased to approximately RMB1,225.0 million, represents a decrease of approximately 40.9% as compared to previous year.

Gross profit margin for the period increased to approximately 4.8 percentage points to approximately 15.2%. The increase of gross profit margin was mainly due to decrease in lower profit margin trading business.

Other Income

Other income for the period increased approximately 56.7% from approximately RMB92.2 million in 2014 to approximately RMB144.4 million in 2015. The increase was mainly due to rental income and government subsidies in developing ocean environmental and high-tech business sector.

Selling & Distribution costs

The selling and distribution costs decreased 6.7% from approximately RMB43.1 million in 2014 to approximately RMB40.2 million in 2015 due to decrease in promotional and advertising cost.

Administrative Expenses

The administrative expenses increased 4.2% from approximately RMB44.3 million in 2014 to approximately RMB46.2 million in 2015 due to increase of depreciation.

Research & Development costs

The research and development costs increased 18.4% from approximately RMB58.0 million in 2014 to approximately RMB68.7 million in 2015 due to increase in material parts consumables and staff salary expenses.

Fair value gain

During the period, the Group recorded a fair value gain approximately RMB19.3 million on investment properties and fair value gain approximately RMB120.3 million on transfer of properties held for sale to investment properties.

Finance Costs

Finance costs net of interest capitalized were approximately RMB52.7 million in 2015, compared with approximately RMB76.2 million in 2014, representing a decrease 30.8%.

Income tax expenses

Income tax expenses increased 442% from approximately RMB6.5 million in 2014 to RMB35.2 million in 2015. The increase was mainly due to reversal in response to return of property sold.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company increased from approximately RMB119.6 million in 2014 to approximately RMB229.7 million in 2015, representing an increase of approximately 92.0%. The net profit margin has been increase from 5.2% to 15.9%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internally resourced and banking facilities generally by bankers in the PRC. As at 31 December 2015, the Group's gearing ratio had decreased to 58.7% (calculated on the basis of the Group's total liabilities over total assets) from 63.8% as at 31 December 2014. At the year end date the Group's total bank borrowings amounted to approximately RMB1,534 million (2014: approximately RMB1,389 million). The Group's cash and bank balances as at 31 December 2015 has increased to approximately RMB419 million (2014: approximately RMB252 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decrease to 1.19 as at 31 December 2015 (2014: 1.32).

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 2015.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitment authorised but not contracted for and contracted but not provided for were nil (2014: nil) and approximately RMB394.9 million (2014: approximately RMB180.9 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.

PLEDGE OF ASSETS

At 31 December 2015, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximately RMB1,524.7 million (2014: approximately RMB1,389.0 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 2015, the Group had total workforce of 954 (2014: 949). Employee benefit during the year were approximately RMB76.3 million.

The Group recognizes 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 2015 to 31 December 2015.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Dong Li Xin and Mr. Zhang Da Ming. Mr. Ling Chun Kwok is the Chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met on a semi-annual basis and the review covers the findings of internal auditors, 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 2015.

REMUNERATION AND REVIEW COMMITTEE

The remuneration and review committee of the Company comprises one executive director, Mr. Zhu Jun. and two independent non-executive directors, Mr. Dong 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 and the Company's website at www.evoc.com. The annual report of the Company for the year ended 31 December 2015 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. Zhu Jun; the independent non-executive directors of the Group are Mr. Ling Chun Kwok, Mr. Wen Bing, Mr. Dong Li Xin and Mr. Zhang Da Ming.

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, 30 March 2016

* *For identification purpose only*