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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 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	Percent
Revenue	326,356	360,937	-9.6%
Other income	136,647	146,551	-6.8%
Profit attributable to owners of the Company	5,562	9,338	-40.4%
Earnings per share			
Basic (<i>RMB</i>)	<u>0.005</u>	<u>0.008</u>	

The Directors do not recommend payment of dividend for the six months ended 30 June 2022 (2021: 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 2022, together with the comparative unaudited results for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	326,356	360,937
Cost of sales		<u>(276,145)</u>	<u>(310,454)</u>
Gross profit		50,211	50,483
Other income	4	136,647	146,551
Selling and distribution costs		(18,791)	(16,104)
Administrative expenses		(41,333)	(44,848)
Other operating expenses		(34,990)	(32,574)
Research and development costs		(6,606)	(7,412)
Finance costs		(76,431)	(85,322)
Share of loss of an associated company		<u>(2,110)</u>	<u>—</u>
Profit before income tax	6	6,597	10,774
Income tax expense	7	<u>(1,035)</u>	<u>(1,436)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>5,562</u>	<u>9,338</u>
Earnings per share — Basic and diluted	9	<u>RMB0.005</u>	<u>RMB0.008</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	782,938	764,018
Investment properties		2,094,696	2,164,623
Right-of-use assets		62,718	69,595
Investment in an associate		9,206	11,316
Deferred tax assets		27,239	27,202
Total non-current assets		2,976,797	3,036,754
Current assets			
Inventories	11	119,388	81,486
Properties under development		931,000	845,067
Properties held for sale		1,249,602	1,269,343
Trade receivables	12	373,846	234,356
Bills receivable		45,742	105,862
Other receivables, deposits and prepayments		572,747	337,878
Contract costs		2,152	4,346
Amounts due from related companies		3,818	3,875
Cash and bank balances		1,714,596	2,445,429
Total current assets		5,012,891	5,327,642
Current liabilities			
Trade payables	13	798,575	757,375
Bills payable	13	102,886	105,938
Contract liabilities		253,581	272,343
Other payables, accruals and receipts in advance		218,537	212,301
Amounts due to related companies		495	138
Lease liabilities		13,426	13,895
Bank borrowings	14	761,855	921,000
Income tax payable		9,401	147,359
Total current liabilities		2,158,756	2,430,349
Net current assets		2,854,135	2,897,293
Total assets less current liabilities		5,830,932	5,934,047

		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank borrowings	<i>14</i>	2,403,018	2,510,990
Other payables, accruals and receipts in advance		8,081	7,122
Lease liabilities		30,083	30,759
Deferred tax liabilities		393,996	394,984
		<hr/>	<hr/>
Total non-current liabilities		2,835,178	2,943,855
		<hr/>	<hr/>
NET ASSETS		2,995,754	2,990,192
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	123,314	123,314
Reserves		2,872,440	2,866,878
		<hr/>	<hr/>
TOTAL EQUITY		2,995,754	2,990,192
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2022	123,314	8,586	110,407	568,909	1,132	2,177,844	2,990,192
Profit for the period	—	—	—	—	—	5,562	5,562
Total comprehensive income for the period	—	—	—	—	—	5,562	5,562
At 30 June 2022 (unaudited)	<u>123,314</u>	<u>8,586</u>	<u>110,407</u>	<u>568,909</u>	<u>1,132</u>	<u>2,183,406</u>	<u>2,995,754</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	13,003	37,075
NET CASH USED IN INVESTING ACTIVITIES	(24,102)	(10,108)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(719,734)</u>	<u>147,186</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(730,833)	174,153
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,445,429</u>	<u>2,486,422</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>1,714,596</u></u>	<u><u>2,660,575</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	1,714,596	2,660,575
Less: Pledged bank balances	<u>—</u>	<u>—</u>
CASH AND CASH EQUIVALENTS	<u><u>1,714,596</u></u>	<u><u>2,660,575</u></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 2022 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 2022 are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, 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 2022. 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Turnover		
Sales of special computer products	223,121	224,240
Sales of mobile phones and accessories	77,303	111,537
Sales of properties	25,932	25,160
	<u>326,356</u>	<u>360,937</u>
Other income		
Gross rentals from investment properties	67,270	79,725
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties reimbursed from tenants	<u>(22,061)</u>	<u>(20,182)</u>
	<u>45,209</u>	<u>59,543</u>
Bank interest income	7,497	7,895
Government subsidies	69,895	68,254
Repairs and maintenance income	2,428	2,671
Sub-contracting income	6,952	4,563
Miscellaneous income	6,348	4,268
Foreign exchange differences, net	<u>(1,682)</u>	<u>(643)</u>
	<u>136,647</u>	<u>146,551</u>
	<u>463,003</u>	<u>507,488</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 2022

	Special computer products and electronic products and accessories <i>RMB’000</i>	Property development <i>RMB’000</i>	Total <i>RMB’000</i>
External revenue	300,424	25,932	326,356
Reportable segment profit/(loss)	44,845	(39,283)	5,562
As at 30 June 2022			
Reportable segment assets	3,178,554	3,205,930	6,384,484
Reportable segment liabilities	762,001	663,662	1,425,663

5. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2021

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

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	5,562	9,338
Unallocated corporate expenses	(2,110)	(2,989)
Unallocated other income	79,576	89,747
Finance costs	(76,431)	(85,322)
Profit before income tax	6,597	10,774

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	254,083	289,507
Cost of sales of properties recognised as an expense	22,062	20,947
Depreciation		
— Property, plant and equipment	18,537	14,738
— Right-of-use assets	6,876	—
Gain on disposal of property, plant and equipment	299	—
Short term leases expenses	969	—
Research and development costs	34,990	32,574
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowance	50,765	47,612
Contributions to retirement benefits scheme	5,886	4,854

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% (2021: 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 2022 and 2021 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 2022 (2021: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 30 June 2022 is based on the unaudited profit for the six months ended 30 June 2022 of approximate RMB5,562,000 (2021: approximate RMB9,338,000) and the weighted average number of domestic and H shares issued of 1,233,144,000 (2021: 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 2022 and 2021.

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 2022	668,550	139,775	15,476	151,337	16,466	21,408	1,013,012
Additions	—	3,511	—	3,195	—	30,405	37,111
Disposals	—	(8)	(1,371)	(1,135)	—	—	(2,514)
As at 30 June 2022	668,550	143,278	14,105	153,397	16,466	51,813	1,047,609
Accumulated depreciation:							
As at 1 January 2022	—	125,179	10,460	99,662	13,693	—	248,994
Charge for the period	3,493	7,719	260	7,065	—	—	18,537
Written back on disposal	—	—	(1,854)	(1,006)	—	—	(2,860)
As at 30 June 2022	3,493	132,898	8,866	105,721	13,693	—	264,671
Carrying value:							
As at 30 June 2022 (unaudited)	665,057	10,380	5,239	47,676	2,773	51,813	782,938
As at 31 December 2021 (audited)	668,550	14,596	5,016	51,675	2,773	21,408	764,018

11. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	83,287	66,721
Work-in-progress	16,225	10,221
Finished goods	<u>26,651</u>	<u>14,128</u>
	126,163	91,070
Less: Allowance for inventories	<u>(6,775)</u>	<u>(9,584)</u>
	<u>119,388</u>	<u>81,486</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	358,833	219,817
91 to 180 days	6,823	7,457
181 to 365 days	3,321	2,585
Over 365 days	<u>4,869</u>	<u>4,497</u>
Gross trade receivables	<u>373,846</u>	<u>234,356</u>

13. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	798,575	757,375
Bills payable	<u>102,886</u>	<u>105,938</u>
	<u>901,461</u>	<u>863,313</u>

13. TRADE AND BILLS PAYABLES (CONTINUED)

The following is the ageing analysis of trade payables:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	582,540	545,946
91 to 180 days	14,870	14,755
181 to 365 days	42,989	47,259
Over 365 days	158,176	149,415
	<u>798,575</u>	<u>757,375</u>

14. BANK BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current		
Secured bank borrowings	761,855	921,000
Non-current		
Secured bank borrowings	<u>2,403,018</u>	<u>2,510,990</u>
	<u>3,164,873</u>	<u>3,431,990</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
— On demand or within one year	<u>761,855</u>	<u>921,000</u>
— After one year but within two years	1,006,458	674,000
— After two years but within five years	581,280	871,300
— More than five years	815,280	965,690
	<u>2,403,018</u>	<u>2,510,990</u>
	<u>3,164,873</u>	<u>3,431,990</u>

15. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
At 31 December 2021 and 30 June 2022	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
	<u>1,233,144,000</u>	<u>123,314</u>

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 2022, the Group had capital commitment contracted but not provided for amounted to approximately RMB449.3 million (2021: approximately RMB921.9 million), mainly in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of commercial and residential properties in Kunshan, Jiangsu, the PRC and construction of production plants, office and staff quarters in Hangzhou, Zhejiang, the PRC.

17. RELATED PARTY TRANSACTION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the six months ended 30 June 2022, the Group reported an unaudited revenue of approximate RMB326.4 million (2021: approximate RMB360.9 million), representing an approximate decrease of 9.6% as compared with the same period of last year, which was mainly due to decrease in sales of mobile phones and accessories.

	30 June 2022 <i>RMB'000</i> (unaudited)	30 June 2021 <i>RMB'000</i> (unaudited)	Change percent
Turnover			
Sales of special computer products	223,121	224,240	-0.5%
Sales of mobile phones and accessories	77,303	111,537	-30.7%
Sales of properties	<u>25,932</u>	<u>25,160</u>	+3.1%
	<u><u>326,356</u></u>	<u><u>360,937</u></u>	

Other Income

For the six months ended 30 June 2022, the Group recorded an unaudited other income approximately RMB136.6 million (2021: approximately RMB146.6 million), representing an approximate decrease of 6.8% as compared with the same period of last year. The decrease was due to the drop in the rental income.

Gross Profit

For the six months ended 30 June 2022, the gross profit margin was increased to approximately 15.4% as compared to approximately 14.0% of the same period of last year. The increase of gross profit margin was mainly due to the raw materials cost under control.

Profit for the Period

For the six months ended 30 June 2022, the Group recorded an unaudited net profit of approximate RMB5.6 million (2021: approximate RMB9.3 million). The decrease was mainly due to slowdown of turnover.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2022, the Group had shareholders' funds/net assets of approximate RMB2,996 million. It mainly comprised bank balances of approximate RMB1,715 million, inventories of approximate RMB119 million, properties under development of approximate RMB931 million and trade and bills receivables of approximate RMB420 million. Long-term bank borrowings amounted to approximately RMB2,403 million. Current liabilities of the Group mainly comprised bank borrowings of approximate RMB762 million, trade and bills payable of approximate RMB901 million, contract liabilities and other payables and accruals of approximate RMB472 million. Net assets value per share of the Group is approximately RMB2.43.

As at 30 June 2022, the gearing ratio of the Group is approximately 62.5% (31 December 2021: approximately 64.3%). It is defined as the Group's total liabilities over the total assets.

Pledge of Assets

As at 30 June 2022, 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 RMB3,273.9 million (31 December 2021: approximate RMB3,273.9 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 2022, the Company had 715 full time employees and the total remuneration for the period was approximately RMB50.8 million (30 June 2021: approximate RMB47.6 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 2022, 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.

Subsequent Event after the Reporting Period

On 8 August 2022, the Company entered into a merger agreement (the “Merger Agreement”) with Shenzhen EVOC Intelligence Technology Company Limited, a joint stock company incorporated in the PRC with limited liability (the “Offeror”) for the proposed merger by absorption of the Company by the Offeror (the “Merger”), in accordance with the PRC Company Law and other applicable laws and regulations as may be currently in force in the PRC (the “PRC Laws”), pursuant to which the Offeror and the Company will implement the Merger. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws. Details are set out in the Company’s announcement dated 8 August 2022.

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 industries in the PRC. Meanwhile, the Company also engaged in assembling and trading of electronic products and accessories and development of properties in the PRC.

As a result of the continued impact of the COVID-19 epidemic, particularly the epidemic in Shanghai, on the Eastern China and the country, the PRC economy was affected to varying degrees, with slowed down production and operating activities, significantly decreased fixed asset investment and reduced business orders from certain domestic customers, directly resulting in the continued reduction in demand in the special computer market. Although the tight raw materials market has eased, the price of raw materials remained high, and the increased stockpiles in response to the changes in the raw materials market have increased the Company’s operating costs. At the same time, in order to cope with the recurring COVID-19 epidemic, the Company had to constantly invest in epidemic prevention materials and work, which also contributed to the increased production and operation costs of the Company.

As the China-US conflict continues, the export restrictions on certain semiconductor devices and industrial design software originated from the US have not been eased, resulting in the continuing risks of availability and prices of imported raw materials for special computers. With the increase of uncertainties in the international trade and diplomatic environment, there has been a lack of incentive to upgrade fixed assets, which reduced the market demand for special computer products, resulting in a serious impact on both internal and external sales of the products.

Based on the assessment and judgment of the development of the COVID-19 epidemic and the changing domestic and international market environment, the Company timely adjusted its market expectation and business strategies. On the one hand, the Company continued to implement the “payment before delivery” sales principle to enhance the capital turnover and reduce transaction risks, and on the other hand provided appropriate accounts receivable collection periods to certain quality customers with capital difficulties, in order to tide over the difficulties together with the customers. The Company continued to optimise our channels of distributor structure and explored quality distributors, as well as provided distributors with guaranteed supply of goods, ensuring that products are delivered as scheduled and our customers receive better services and reducing the pressure on internal delivery and inventory. For the research and development of new products and projects, we continued to make a certain proportion of investment to maintain the normal update and iteration of our existing product series and to increase product series when appropriate. As for the investments in new projects of new sectors and new industries, we maintained prudent. The Company continued to focus on the market and customers of Mainland China, and remained cautious and conservative in investing in overseas markets.

Development of Science and Technology Industrial Park and Other Properties

For the first half of 2022, the gross sales revenue from the construction of the Science and Technology Industrial Park amounted to approximately RMB26 million, mainly Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”) has a completed gross floor area of approximately 177,000 sq.m. Section A2 of Wuxi has a completed gross floor area of approximately 132,000 sq.m. Phase 2 of Kunshan Dianshan Lake Project has a completed gross floor area of approximately 56,000 sq.m. The first phase of the Nantong EVOC Science and Technology Park project was fully completed with a gross floor area of approximately 72,800 sq.m. Huaqiao EVOC International Finance Center in Kunshan is an office building, and is expected to be fully completed in 2023.

Revenue from Leased Properties

For the first half ending 30 June 2022, the total leased area of the Group reached 259,200 sq.m., achieving total property rental revenue of approximately RMB67 million. Due to the continuous and ongoing impact of Covid-19 pandemic, the rental area of the leased properties has dropped. The EVOC Technology Building in Hangzhou was completed in 2017 with a gross floor area of approximately 66,000 sq.m. 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. Shenzhen EVOC Technology Building was completed in 2007 with a gross floor area of approximately 62,000 sq.m. For Section A1 of Wuxi SHIOC International Outsourcing Base (“Wuxi”), offices with a gross floor area of approximately 104,000 sq.m. Phases 1 and 2 of Kunshan Dianshan Lake Project have a gross floor area of approximately 47,000 sq.m. for office use.

Research & Development and Products

The Company was committed to independent innovation and continued to develop the research and applications of hardware and software for special computers. We increased the investments in software development by adapting the software to existing hardware products of the Company, and launched more competitive software-hardware integrated products and total solutions, to provide better products and services to our customers. The Company cooperated with a number of domestic scientific research institutions and application units to conduct in-depth cooperation and carry out research, development and industrialization of industrial Internet intelligent node products, and launched targeted system solutions.

Marketing and Brands

The Company continued to adopt the diversified sales model combining direct sales, distribution, online sales and offline sales, making full use of direct sales customers and distributor resources, and combining the advantages of online and offline sales. Marketing and communication were fully integrated by means of, among others, distributor meetings, seminars and industry 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 has continuously won the trust of its customers by providing a full range of product support and services through branches, official websites, customer service hotlines, WeChat public accounts, e-marketplaces and other channels and quickly responding to their needs.

Outlook and Prospect

At present, the global pandemic is still ongoing, and the China-US conflict shows no sign of abating. Coupled with the energy crisis in Europe caused by the Russia-Ukraine conflict, the extremely volatile international environment continues to affect the supply of semiconductors and related raw materials, bringing risks and challenges to the Chinese and even global economies. The rising cost of raw materials has led to continuous cost increases in China's manufacturing industry, reducing the international competitive advantage of its manufacturing industry, which in turn has an adverse impact on the sales of special computers in the market. In addition, the shortage and rising prices of foreign semiconductor devices have also had an impact on the continued production and technological innovation of special computers. With the changes in demographic structure and employment concept in China, the management of personnel strategy and labour cost for special computers has become more demanding.

Looking forward, as the Chinese and global economies will run under the “new normal” of the epidemic, the Company will conduct sufficient assessment and make prudent decisions and seize the opportunity to implement its business plans in accordance to the changing business environment with new opportunities and challenges. The Company will continue to focus on the research and development of special computer products and accelerate the application and innovation of intelligent software and hardware integrated 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 2022 to 30 June 2022.

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 2022.

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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 announcement.

Publication of Results Announcement and Interim Report

This result announcement is published on the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and the Company's website at *www.evoc.com*. The interim report of the Company will be despatched to the Shareholders and be made available on the above websites in due course.

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

Shenzhen, PRC, 12 August 2022

As at the date of this announcement, 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.

* *For identification purpose only*