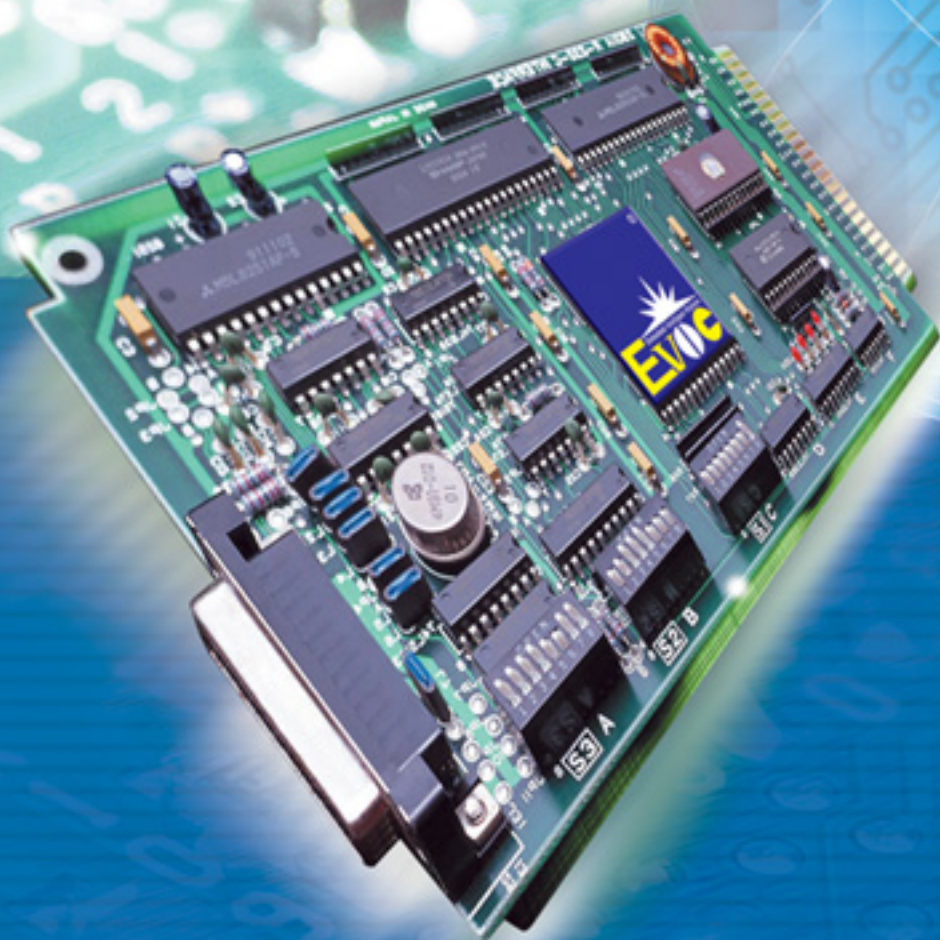




深圳市研祥智能科技股份有限公司

Shenzhen EVOC Intelligent Technology Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)



Annual Report 2003

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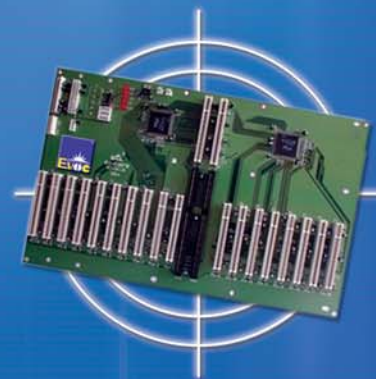
The Stock Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This annual report, for which the directors (“the Directors”) of Shenzhen EVOC Intelligent Technology Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rule”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

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BOARD OF DIRECTORS

Executive Directors

Chen Zhi Lie (*Chairman*)
Tso Cheng Shun
Zhu Jun

Independent non-executive Directors

Wen Bing
Qi Yu Kun
Zhou Hong
Dong Lixin

SUPERVISORS

Wang Bichun
Zhou Cheng Yan
Pu Jing

COMPLIANCE OFFICER

Zhu Jun

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen *AHKSA, FAIA*

AUTHORIZED REPRESENTATIVES

Chen Zhi Lie
Tsui Chun Kuen *AHKSA, FAIA*

MEMBERS OF THE AUDIT COMMITTEE

Zhou Hong
Qi Yu Kun

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat 10B1
Tianxiang Building
Tianan Cyber Park
Chengongmiao
Shenzhen
PRC

LIAISON OFFICE IN HONG KONG

Unit No. 1014
10th Floor, Star House
3 Salisbury Road
Tsimshatsui
Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
G/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

SPONSOR

Oriental Patron Asia Limited
27/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China
Shenzhen Branch
F4-8, 1st Floor
Tianji Building
Tian An Industrial Area
Shenzhen
PRC

LEGAL ADVISER TO THE COMPANY

Commerce & Finance Law Offices
1405, Tower B, Shen Fang Plaza,
3005 Ren Min Nan Road,
Shenzhen 518001
PRC

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
Unit A, 29/F
Admiralty Centre I
18 Harcourt Road
Hong Kong

COMPANY HOMEPAGE/WEBSITE

<http://www.evoc.com>

GEM STOCK CODE

8285

CORPORATE BACKGROUND

Shenzhen EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM of the Stock Exchange of Hong Kong on 10 October 2003 (the "Listing"). The Company is principally engaged in the research, development, manufacture and distribution of embedded intelligent platform ("EIP") products. As at 31 December 2003, the registered capital of the company amounted to approximately RMB46.7 million with the Company's total assets to approximately RMB287.7 million.

Shenzhen EVOC Intelligent Technology Company Limited is one of the leading domestic manufacturers of EIP products in the PRC. EIP is a computer system allowing users to adapt 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. EIP products manufactured and distributed by the Company are widely applied in, among other, telecommunication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance industries. The Company offers over 180 EIP products, which can be broadly classified by their distinctive functions and features into three categories, chassis-type EIP products, board-type EIP products and remote data modules.

The Company has established an extensive distribution network through its five branches, five representative offices and about 60 authorized distribution agents located across the PRC. The Company currently has an active customer base consisting of over 3,000 customers located in the PRC. Customers of the Company include authorized distribution agents, system integrators, construction and building surveillance agents, software developers and IT manufacturers in the PRC.

COMPARISON OF KEY FINANCIAL FIGURES

Financial Year		2003	2002	Change
Turnover	RMB'000	202,628	152,462	+33%
Gross Profit	RMB'000	92,383	64,978	+42%
Gross Margin	%	45.60	42.62	+7%
Net Profit	RMB'000	51,589	39,260	+31%
Net Margin	%	25.46	25.75	-1%
Basic Earnings Per Share (Note)	RMB	0.137	0.112	+22%
Cash Generated from Operations	RMB'000	68,950	25,959	+166%
Trade Receivables Turnover	Days	24	27	-11%

FINANCIAL POSITION

Financial Year		2003	2002
Total Assets	RMB'000	287,717	176,532
Total Liabilities	RMB'000	58,973	96,247
Total Cash and Cash Equivalents	RMB'000	198,782	81,284
Shareholders' Funds	RMB'000	228,744	80,285
Earnings per Share — Basic (Note)	RMB	0.137	0.112
Net Assets per Share	RMB	0.490	0.229
Dividend per Share	RMB	0.030	0.086

Note: The calculation of basic earning per share for the year ended 31 December 2003 is based on the profit attributable to shareholders of approximately RMB51,589,000 (2002:RMB39,260,000) and the weighted average number of 377,500,000 (2002: 350,300,000) ordinary shares in issue during the year. Diluted earnings per share amount for the year ended 31 December 2002 and 2003 had not been presented as no diluting events existed during the year.

Chairman's Statement





Chen Zhi Lie
Chairman

To Our Shareholders,

We are pleased to present the first audited and condensed annual results of the Company for the year ended 31 December 2003 since its Listing on the GEM of the Stock Exchange.

2003 was a significant year for Shenzhen EVOC Intelligent Technology Company Limited. As a domestic leader in the mainland's EIP industry, the Company becomes listed on the Stock Exchange on 10 October 2003. This not only marked the first mainland EIP product manufacturer to tap into the Hong Kong capital market, the Company also secured further room for its own future development.

(1) FINANCIAL PERFORMANCE

The Company performed strongly in the year 2003. Turnover rose to RMB202,628,000 representing an increase of 33% from 2002, while profit attributable to shareholders rose to RMB51,589,000, representing an increase of 31% from 2002. Earnings per share were approximately RMBO.137.

The board of directors recommends a dividend payment of RMB14,013,000, or RMBO.03 per share, for the year ended 31 December 2003.

(2) BUSINESS REVIEW

The Company, a successful EIP products manufacturer for the past 10 years, has worked unswervingly to help upgrade and transform traditional Chinese industries enabling them to benefit from the rapid developments in information technology.

During the year under review, the Company signed an agreement with Intel Corporation (INTEL), and has formally becoming a member of the Intel Communication Alliance. This co-operation with INTEL, in the development of embedded products, will raise the value of the Company's products and sharpen its competitive edge in the market.

In 2003, turnover rose 33% the year. With regard to industry distribution, the Company achieved a breakthrough in the video frequency, TV conferencing system and medical control sectors, further deepening and broadening its previous business pursuits.

1. Research & Development

The Company attaches great importance to research and development. Investment in R&D amounted to about RMB9.6 million in 2003, representing 5% of the gross sales figure. During the year, the Company developed 8 board-type products for different applications, including multi-media, data control, digital video recording, network computing, advance technology, gambling and data processing. Among these products, five of them namely multi-media, digital video recording, network computing, advance technology products, and gambling & data processing have already been introduced to the market.

In 2003, two of the Company's systems, the Embedded Real-time Control Operating System (ERCOS) and Embedded Intelligent Platform (EIP), were named as Shenzhen Municipal Import Industrial Development Projects of 2003.

Other governmental accreditations obtained in 2003 included:

Embedded PCI Industrial Computer Manufacturers Groups (PICMG) Standard Central Processing Unit (CPU) Card	Shenzhen Science and Technology First Prize (Awarded by Shenzhen Municipal Government) Guangdong Province Science & Technology Third Prize (Awarded by Guangdong Provincial Government)
Embedded Intelligent Platform	2003 State Important New Product (Awarded by five bureaus and ministries) 2003 Guangdong Province Important New Product (Awarded by Guangdong Province Science and Technology Bureau)
Embedded Real-time Control Operating System (ERCOS)	Shenzhen Outstanding Software Products (Awarded by Shenzhen Information Software Association)

2. Products & Services

Currently, the Company owns 180 product types under three major categories and a number of industry-specific solutions, which boost the Company's competitiveness and enables it to achieve exceptional results in transforming traditional industries into digitalized and information-oriented organizations.

At the end of 2003, the Company gained the TÜV Rheinland Group (德國萊茵TÜV中國集團) accreditation authority's ISO9001: 2000 certification in quality control with zero defects.

In 2003, the Company was named "China's highest potential growth Information Technology (IT) enterprise" and one of "China's 500 biggest information enterprises" by the China Centre of Information Industry Development.

3. Sales and Marketing

The Company has made significant efforts in the marketing and promotion of its brandname "EVOC". In 2003, "EVOC" was recognized as a leading brandname in Guangdong Province. During the year, the Company spent approximately RMB9.6 million in advertising, accounting for 5% of the gross sales figure.

As a domestic leader in the EIP industry, expansion of the sales services network and investment in the market are of prime importance to the Company. In 2003, the Company increased its investment in product research and development and in building up its product services network. Apart from expanding its existing five branches and three offices, the Company also set up new offices in Jinan and Fuzhou. Industry coverage of its products was also expanded. In 2003, the Company has increased its investment in its branches and offices to upgrade its distribution network and strengthen customer services.

4. Training

As at 31 December 2003, the Company was employing 902 staff. Apart from training for new recruits, the Company also held a number of internal training courses on a wide variety of topics, covering new knowledge, new technology and new training materials. Staff are given all-rounded professional training according to their job responsibility to improve their professionalism and skills and enhance their efficiency. This also helped to build a culture of learning across the Company.

(3) PROSPECTS

With the rising level of information technology in the PRC, the ratio of domestically-produced information products is on an uptrend.

According to the forecast of CCID Consulting Company Limited, the PRC's fast-growing EIP industry will hit sales volumes of about RMB5.1 billion in the domestic market in 2004.

The directors view 2004 as an important year for the Company. During the year, the Company will boost its overall competitiveness in research and development, sales, product quality and services. The Company and all staff will continue to work hard work to bring better results to its shareholders.

1. Research & Development

Industrial control automation technology is heading towards the development of intelligent-based, networking and integration. Development trends are: industrial Personal Computer (PC)-based on low-cost industrial control automation will become the mainstream for development; Programmable Logic Controllers (PLC) will move towards micro-scales, networking, personal computerization, and openness; Distributed Control Systems (DCS) will develop into small-scale systems with an extensive variety, personal computerization, openness, and the integration of testing, control and management. The control system will move from DCS to Fieldbus Control System (FCS); equipment and meter technology will see increasing digitalization, intelligent based networking and micro-scales; data control technology will develop into intelligent-based, openness, networking and informationization; industrial control networks will move into a combination of wire and wireless while control software will develop increasingly towards advance control.

In view of the above technology development trends, the Company will invest heavily in research and development. In the near future, it will launch a series of new products with new technology applications, such as the integration of the mainboard with the CPU, Peripheral Component Interconnection (PCI) bus, Industry Standard Architecture (ISA) bus and standard PCI-express functions. The development of new technology and products lays concrete foundations for the Company to further develop its services in the informationization of the embedded applications manufacturing industry.

2. Products & Services

"Fast and timely responses in service delivery" is the Company's service pledge and its nationwide services network is a guarantee of this fast and timely service delivery.

The company upholds its principles of "service begins in the research, development and design and runs through all aspects of operation" and "Meeting customers' needs is our starting point stage and their satisfaction is our ending point". In 2004, the Company will move further towards direct sales, supplemented by "EVOC" embedded intelligent platform alliance members. To improve its services, the Company will also refine its after-sales system and enforce stringent quality controls in addition to better workflow management, maintaining a stable and reliable product quality, and introducing technology services hotlines and a network platform.

3. Marketing & Promotions

The Company will stick to its marketing strategy which is based on direct sales and supplemented by sales agents. The company is also setting up sales points at suitable sites across the country. As at 31 December 2003, the Company had already established five branches and five offices, with a distribution network of over 60 sales agents spread out across 27 provinces and autonomous regions.

In 2004, the Company will continue to raise awareness of its brandname and boost the market share of its products. In addition to outdoor advertisements, the Company will place advertisements in professional magazines and the websites of a variety of industries. It will also organize and participate in large-scale professional exhibitions both locally and overseas and hold professional and academic seminars to comprehensively promote the application of embedded technology in China while at the same time promoting its products.

4. Management

The Company has successfully implemented its Enterprise Resource Planning system (ERP) for over two years. The system has made a tremendous contribution in upgrading management functions for the Company. The ERP system provides computer software functions for the management of business information, sales requirements, procurement and inventory, productivity, general administration and finance. The ERP system provided Company's solutions that organized in ways that allow all internal departments to operate with maximum efficiency and reliability. In 2004, the Company will fine-tune the system's functions to fit its specific needs.

Based on its development needs, the Company will adjust and rationalize its management structure, strengthen the appraisal exercise for various departments and enhance its management efficiencies. The aim is to move in line with international standards in corporate management to offer its shareholders first class returns.

(4) APPRECIATION

On behalf of the board of directors, I would like to offer our sincere thanks to our shareholders for their unflinching support to the Company's development, and to our staff for their dedication and hard work throughout the year.

Chen Zhi Lie
Chairman

Shenzhen, PRC, 24 March 2004

FINANCIAL REVIEW

For the year under review, the Company recorded total revenues of approximately RMB202.6 million, representing an increase of approximately 33% over that of the previous year. Profit attributable to shareholders for the year was RMB51.6 million, representing an increase of approximately 31% over that of the previous year, while basic earnings per share were RMB0.137.

TURNOVER BY PRODUCT CATEGORY

Sales of Products	2003 RMB'000	2002 RMB'000	Change Percentage
Board-type EIPs	121,803	88,428	+38%
Chassis-type EIPs	74,338	60,985	+22%
Remote data modules	6,487	3,049	+113%
Total	202,628	152,462	

The Company recorded rapid growth during the year which was mainly due to the significant rise in market demand for the Company's board type products. The turnover of the Company's board-type products increased 38% as compared to the previous year.

TURNOVER BY GEOGRAPHICAL LOCATION

Regions in China	2003 RMB'000	2002 RMB'000	Change Percentage
North and Northeast China	51,296	41,413	+24%
East China	29,220	15,904	+84%
South China	99,286	72,218	+37%
Southwest China	12,282	12,359	-1%
Northwest China	10,544	10,568	-0.2%
Total	202,628	152,462	

The East China region recorded significant growth during the year, it is because the Company had focus the business development plan in Shanghai in 2003. The Company has reallocated more marketing staff to the Shanghai branch, resulting in an increase from 61 to 80 people during the year.

PROFIT MARGIN

The profit margin for the year was approximately 46%, representing an approximate 7% increase as compared to the previous year. The increase in the gross profit margin was mainly due to the increase in sales of board-type EIP products which have a higher profit margin.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Company was listed on the GEM of the Stock Exchange through the placement of 116,800,000 H shares on 10 October 2003. The net proceeds from the placement, after deduction of relevant expenses, were approximately HK\$91 million. As at 31 December 2003, the Company's total cash and cash equivalents amounted to RMB199 million, representing an increase of 145% as compared to that of the year ended 31 December 2002. The increase was due to the net proceeds raised in the Listing. The ratio of current assets to current liabilities is 4.33 times. Bank loans as at 31 December 2003 totaled approximately RMB30 million at an interest rate of 5.31% per annum. The loans will expire in April 2004. The gearing ratio is calculated by dividing total liabilities by total assets, and is approximately 20% (2002: 55%). The improvement in the gearing ratio is due to the placement of shares in the Company in the Listing.

EXCHANGE RATE EXPOSURE

All of the Company's assets, liabilities and transaction are denominated either in Hong Kong dollars, US dollars or Renminbi. As the exchange rates of the Hong Kong dollar, US dollar and Renminbi were relatively stable during the year, the Company was not exposed to any material foreign exchange risk.

CHARGES ON ASSETS

There was no charge on the Company's assets as at 31 December 2003 for the banking facilities granted to the Company.

CAPITAL STRUCTURE

On 23 September 2003, the authorized share capital of the Company was increased from RMB35,030,000 to RMB46,710,000 by the creation of 116,800,000 ordinary shares of RMBO.10 each. On 8 October 2003, 116,800,000 ordinary shares of RMBO.10 each were issued to the public by way of a placement of shares at HK\$0.90. The Company relies on internal resources and the net proceeds from the Placing as a source of funding. The Company keeps most of its cash in Reminbi in bank accounts as working capital of the Company.

SIGNIFICANT INVESTMENT

The Company has not held any significant investment for the year ended 31 December 2003.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the section "Statement of business objectives" of the prospectus issued by the Company on 30 September 2003, the Directors do not have any future plans for material investment of capital assets.

SEGMENT INFORMATION

The Company operates in one business segment, which is the sale of EIP products and therefore, no further business segment analysis is presented.

No further geographical segment is presented as the Company's operations were substantially carried out in the PRC during the year.

CONTINGENT LIABILITIES

As at 31 December 2003, the Company has endorsed bills of approximately RMB1.7 million not yet been settled.

HUMAN RESOURCES

A breakdown of the number of Company employees by function as at 31 December 2002 and 2003 is set out below:

By function	2003	2002
Sales and marketing	366	302
Purchasing	18	19
R&D	87	59
Management	18	9
Accounting and Finance	38	38
Quality control	75	73
Production	280	276
Human resources and administration	20	14
Total Staff	902	790

As at 31 December 2003, the Company had 902 (2002: 790) full time employees, representing an increase of 112 employees or 14%. With the increase in headcount, salaries and wages for staff also increased by 76% to RMB16.4 million (2002: RMB9.3 million). The increase in headcount was mainly due to the addition of employees in sales and marketing, management, human resources and administration.

The Company provides on going training programs for employees to keep them abreast of the latest market trends and new EIP technologies as well as to enhance their knowledge of national quality standards. The Company also provides different training programs to its senior management to ensure the highest management skills and techniques.

The Company remunerates its employees based on performance, experience and prevailing industry practices. The Company also provides statutory Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

MATERIAL ACQUISITIONS

The Company had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2003.



The following is a summary of the actual business progress in comparison to the business objectives set out on pages 84 to 87 of the prospectus of the Company dated 30 September 2003 (the "Prospectus") for the period from 10 October 2003 to 31 December 2003:

Business Objectives	Actual Business Progress during the Period
1. Research and Development	
— New technology	
● Continue R&D on RISC platforms	Completed intermediate stage.
● Continue R&D on single motherboard network storage products for use in EIP setting	Postponed, keeping pace in line with the market demand.
● Continue to refine existing EIP products for specific industry applications	Launched 5 types of products to the market. Including board-type products designed for use in network computing, digital video recording, medical control, point of sale, gambling & data processing (3.5" simple board).
● Identify and evaluate potential opportunities to establish new strategic alliance with leading IT companies to develop new EIP technologies and products	Entered an agreement with Intel Corporation pursuant to which the Company became a member of the Intel Communication Alliance to jointly promote each other's brandname.
● Continue development of ERCOS products	Completed the lower part of easy control operating system (底層易控操作系統).
— Expansion of R&D department	
● Renew R&D facilities for functions and applications testing	Built new environment laboratory (環境實驗室).
● Recruitment of 61 staff	Recruited 28 new R&D staff, recruitment in progress.
— Acquiring new machinery	
● Enhancement of production facilities for chassis-type EIP products	Postponed to 2004 and the utilization of all production facilities are under review.
2. Launch and promotion of new products	
— New products	
● Launch new series of RISC platform EIP products	Products completed are under testing.

Business Objectives

- Commence production of new EIP products adopting specific industrial standards
- Launch EIP products with inbuilt ERCOS platform
- Commence inspection of sample stock of new EIP products for data control meter applications

Actual Business Progress during the Period

Development & testing completed, trial production of samples of board-type applications in gambling and data (PISA 總線插卡式結構) processing in progress.

Products are still under development, though the first stage has been completed.

Product launched in early 2004.

3. Brand building and marketing

- Trade fairs, training courses and seminars
- Participate in trade fairs and product exhibitions in the PRC in relation to new technologies for various industries such as automation, telecommunication, finance, electricity and transportation
- Organize and offer training on product and sales strategies for authorized distribution agents
- Sponsor sport activities and organize IT seminars
- Promotions and advertising
- Conduct promotional and advertising campaigns on public facilities through professional mass media in major PRC cities such as Beijing, Shanghai, Tianjin, Chengdu, Kunming, Xian, Shenzhen, Guangzhou, Fuzhou

Participated in the 5th Shanghai International Industry Expo (第五屆上海國際工業博覽會) in November 2003, Chinese International Communication Equipment Technology Fair (中國國際通信設備技術展覽會) in November 2003, Southwest provinces Automation Fair (西南三省一市自動化展會) in October 2003, Water and Electric Power Network Construction Fair (水利、電站電網建設展) in October 2003, Sichuan TV Festival Equipment Fair (四川電視節設備展覽館) in October 2003, Community Security International Expo (社會公共安全國際博覽會) in November 2003, Taipei International Computer fairs in September 2003.

Consistent with that described in the Prospectus.

Sponsored national football Series A tournament for the year 2003 at Shenzhen stadium.

Consistent with that described the Prospectus.

Business Objectives

- Seek suitable strategic sales and marketing partners for joint marketing campaigns
- Place advertisements in local and international IT related publications
- Post outdoor advertisements in major cities of the PRC such as Beijing, Shanghai, Tianjin, Chengdu, Kunming, Xian, Shenzhen, Guangzhou, Fuzhou

Actual Business Progress during the Period

Jointly promoted with AMD on Medical Equipment Industry Seminar (醫療器械行業研討會) in August 2003.

Jointly promoted with INTEL First China EIP Technology Applications Seminar (首屆中國嵌入式技術應用研討會) in September 2003.

Placed advertisements in 22 local IT related publications and professional mass media to promote our new products and the company's brand names.

Posted outdoor advertisements for promoting our new product and the Company's brandnames in Beijing, Shanghai, Tianjin, Chengdu, Xian and Shenzhen.

4. Business development

— Sales channels and distribution network

- Expand the existing distribution network by engaging new, authorized distribution agents

Set up two representative offices in Jinan and Fuzhou, China. The total number of authorized distribution agents increased to 63 (2002: 50).

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

The actual net proceeds from the Company's issue of new shares at the time of its listing on GEM on 10 October 2003 was approximately HK\$91,090,000 as compared to the budgeted net proceeds of approximately HK\$91,100,000 in the Prospectus. Details of utilization of fundings from the actual net proceeds versus the proposed applications and set out on page 88 of the Prospectus during the period from 10 October 2003 to 31 December 2003 (the "Period") are as follows:

	Proposed fundings required during the Period HK\$'000	Actual fundings spent during the Period HK\$'000
For the expansion of the R&D department (Note i)	3,600	181
For capital expenditure to acquire machinery for new EIP and ERCOS technology related products (Note i)	4,500	51
For building sales channels and distribution network (Note ii)	3,500	60
For brand building and marketing activities (Note iii)	4,000	2,241
Total:	15,600	2,533

Notes:

- (i) For the expansion of R&D department, the Company has established a new environmental laboratory and has recruited 28 new R&D staff during the Period. However, as the enhancement of production facilities of chassis-type EIP products was postponed to 2004 and the utilization of all production facilities are being carefully reviewed by the management, the full expansion of the R&D department, including renewing R&D facilities and recruiting additional staff, will be done in 2004. The Company is currently running test and inspection on some new products developed during the year and will continue to develop new technology and products in 2004.
- (ii) During the year 2003, the Company has set up two representative offices in Jinan and Fuzhou, the PRC. The total number of authorized distribution agents has also increased to 63. The unutilized proceeds for the Period will be devoted by the Company to establish new regional sales and service offices in other major cities in the PRC during the year 2004 in order to provide full upgrade, maintenance and after-sales services to its customers.
- (iii) The Company has also actively participated in trade fairs and organized training courses and seminars for the distribution agents in order to provide high quality products and services to customers. At the same time, the Company devote full efforts in promoting its brandname and products through advertisement and sponsoring activities. However, in order to enhance the efficiency in conducting marketing activities, the Company has monitored carefully the marketing expenses during the Period and will continue to monitor the marketing budget with in-depth analysis and consideration of the then and prospective market condition, timing of their products promotion and competitors' marketing activities during year 2004.

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 40, the Chairman and managing director of the Company. He is the founder of the Company and is responsible for the overall strategy and planning for the business of the Company. Mr. Chen graduated with a bachelor degree of engineering in computer application from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He also obtained a master degree in computer science and computer engineering from the department of engineering in Northwestern Polytechnical University (西北工業大學) in 1990. He has over 18 years of experience in computer and automation of control systems. In February 2003, Mr. Chen was awarded the prize of Guangdong Province Outstanding Entrepreneur of Domestic-owned Enterprises (廣東省優秀民營企業家) by Guangdong Province Government (廣東省人民政府).

Tso Cheng Shun (曹成生), aged 75, the Vice Chairman and an executive Director. Mr. Tso graduated from Nan Tong Institute (南通學院) in the PRC and obtained a certificate in engineering in textile. Mr. Tso has been serving the Company since 1995. He is responsible for developing business strategy, preparing annual financial budget and monitoring financial status of the Company.

Zhu Jun (朱軍), aged 42, an executive Director, the compliance officer, the chief engineer and the head of R&D department of the Company. He joined the Company in October 1995 and is responsible for monitoring the R&D center of the Company. Mr. Zhu obtained the designation of Senior Programmer from China Computer Application Software Practitioner Examination Committee (中國計算機應用軟件人員水平考試委員會) in 1990. He has extensive research and development experience in computer engineering and integration of control systems. He is responsible for managing overall R&D strategy and operations of the Company. In 2000, Mr. Zhu was awarded Shenzhen Municipal Science and Technological Advancement First Class Prize (深圳市科技進步一等獎) and Guangdong Province Technological Progress Second Runner-up Prize (廣東省科技進步三等獎).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wen Bing (聞冰), aged 42, and independent non-executive Director. Mr. Wen obtained a bachelor degree in computer studies from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He has over 18 years of experience in computer engineering and had held various senior positions in state-owned enterprises as well as international companies. He is currently an executive director and the general manager of E-Techsoft Co., Ltd. (深圳市欣軼天科技有限公司) as well as the general manager and chief technical officer of Televoice China (Shenzhen) Limited (聾訊亞洲中國公司). Mr. Wen was appointed as an independent non-executive director in December 2000.

Qi Yu Kun (齊玉坤), aged 46, an independent non-executive Director. Mr. Qi obtained a certificate in management from the postgraduate school of Tianjin University in the PRC and is a qualified senior engineer in the PRC. He is currently a regional branch manager of China Everbright Bank (中國光大銀行). Mr. Qi was appointed as an independent non-executive Director in September 2001.

Zhou Hong (周紅), aged 38, an independent non-executive Director. Ms. Zhou graduated from Tsinghua University in the PRC with a bachelor degree in engineering and a master degree in engineering. She also obtained a master degree in business administration in finance from Massey University in New Zealand in 1999. She is currently the general manager of the business development department of Shenzhen Ji Yu Investment Group Limited (深圳基鈺投資(集團)有限公司). Ms. Zhou was appointed as an independent non-executive Director in September 2001.

Dong Lixin (董立新), aged 44, an independent non-executive Director. Mr. Dong graduated from Tsinghua University (清華大學) in the PRC with a bachelor degree in automation in 1984 and he currently holds a managerial position in the engineering department in Shenzhen World Miniature Co. Ltd. in the PRC. Mr. Dong was appointed as an independent non-executive Director in September 2002.

SUPERVISORS

Wang Bichun (王必春), aged 40, the chairman of the supervisory committee of the Company. Mr. Wang is a certificate holder in accounting graduated from Anhui University of Finance and Economics (安徽財貿學院) in the PRC in 1990. He has over seven years of experience in accounting and auditing. He was appointed by the Company as a Supervisor in September 2002.

Zhou Cheng Yan (周臣岩), aged 31, a member of the supervisory committee of the Company. Ms. Zhou graduated from Jilin Province Economics and Management College (吉林省經濟管理學院) in the PRC with a certificate in Finance and Accounting in 1995. Ms. Zhou is a shareholder of Shenzhen Kelijian and was appointed by the Company as a Supervisor in December 2000.

Pu Jing (濮靜), aged 38, a member of the supervisory committee of the Company. Ms. Pu graduated from Wuhan Iron and Steel University (武漢鋼鐵學院) in the PRC with a bachelor degree in engineering in electric automation in 1988. She has over 14 years of experience in industrial computer testing. Ms. Pu is a shareholder of Shenzhen Yanxiang Wangke and Shenzhen Haoxuntong and was appointed by the Company as a Supervisor in December 2000.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 53, is the financial controller, qualified accountant and the company secretary of the Company. Mr. Tsui holds a master degree of business administration from the University of East Asia in Macau in 1991. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Society of Accountants. Before joining the Company, he served as a financial controller and a company secretary of Prosperity International Holding (HK) Limited, a company listed on the GEM.

SENIOR MANAGEMENT

Liang Xu (梁煦), aged 46, the general manager of the Company. He obtained a bachelor degree in physics from The University of National Defense Technology (國防科學技術大學) in the PRC in 1981. He also obtained a master degree of business administration from Nankai University (南開大學) in the PRC in 1988. He has over 13 years of experience in administration and operation management. Prior to joining the Company in May 2001, Mr. Liang had held a number of managerial positions in various industries in the PRC.

Wang Zhen Zun (王振駿), aged 39, the assistant general manager of the Company. He is responsible for the overall sales functions of the Company. Mr. Wang obtained a bachelor degree in engineering with a major in automation of control from the automated control faculty of Beijing Industrial College (中國北京工業學院) in the PRC in 1986. Mr. Wang possesses strong technical expertise in automation technology and has over 9 years of experience in the sales and marketing of computer-based industrial automation products. Mr. Wang joined the Company in October 1995.

Fan Xiao Ning (樊小寧), aged 33, an assistant general manager of the Company. He is responsible for the overall marketing functions of the Company. Mr. Fan is a certificate holder in Chinese language from Nan Cheng University (南昌大學). He has over 10 years of experience in strategic marketing planning. Prior to joining the Company in July 1999, he held a number of managerial positions in various industrial enterprises in the PRC.

Liu Yi (劉宜), aged 38, the assistant company secretary of the Company. She graduated from Anhui University (安徽大學) in the PRC with a bachelor degree in economics in 1985 and a master degree in economics in 1991. Ms. Liu joined the Company in October 2001. Ms. Liu has a thorough understanding of the operations of the Company and has been closely involved in the proposed H Share issue and listing process, together with Tsui Chun Kuen.

Chen Xiang Yang (陳向陽), aged 37, is the head of the quality control department of the Company. He obtained a bachelor degree in wireless electronics technology from Chongqing University (重慶大學) in the PRC in 1988. He is in charge of the quality control functions of the Company's production. He has over 10 years of experience in the quality control of electronic products. He joined the Company in July 1999.

Fang Chu Zhou (方處州), aged 37, is the head of the production department of the Company. He obtained a bachelor degree in electronic engineering from Zhejiang University (浙江大學) in the PRC in 1989. He has over 10 years of experience in the production and design of electronic products as well as in management. He joined the Company in February 2003.

Sun Wei (孫偉), aged 41, is the manager of the human resources and administration department and purchasing department of the Company. He obtained a bachelor degree in engineering with a major in engine technology from Da Lian Tie Dao University (大連鐵道大學) in the PRC in 1983. He has extensive experience in engine design, investment and human resources management. He joined the Company in March 1999.

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2003.

COMPANY REORGANIZATION

The Company was established in the PRC on 18 December 2000 as a joint stock limited company under the Company law of the PRC. The Company's H Shares were listed on the GEM of the Stock Exchange on 10 October 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of EIP products. There were no significant changes in the nature of the Company's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2003 and the state of affairs of the Company at that date are set out in the financial statements on pages 31 to 50.

The Directors recommend the payment of a final dividend of RMB0.03 per ordinary share in respect of the year to shareholders on the register of members on 17 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheets.

USE OF PROCEEDS FROM THE PLACING OF THE COMPANY

Details of the use of proceeds from the placing of the Company are set out on page 19 of this annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Company during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 20 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 21 to the financial statements and in the summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB77,970,000 of which RMB14,013,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Company's five largest customers accounted for 27% of the total sales for the year and sales to the largest customer included therein amounted to 21%. Purchases from the Company's five largest suppliers accounted for less than 53% of the total purchases for the year and purchases from the largest supplier included there in amounted to 23%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Company's five largest customers.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year were:

Executive Directors

Chen Zhi Lie (*Chairman*)

Tso Cheng Shun

Zhu Jun

Independent non-executive Directors

Wen Bing (appointed on 1 July 2003)

Qi Yu Kun (appointed on 1 July 2003)

Zhou Hong (appointed on 1 July 2003)

Dong Lixin (appointed on 1 July 2003)

Supervisors

Wang Bichun (appointed on 1 July 2003)

Zhou Cheng Yan (appointed on 1 July 2003)

Pu Jing (appointed on 1 July 2003)

According to article 10.02 of the Company's articles of association, the term of the directors and supervisors are appointed for a period of 3 years.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors and the senior management of the Company are set out under the Directors, Supervisors and Senior Management's Profile Section of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service agreement with the Company with effect from the date of appointment of the respective director and supervisor, for a term of 3 years.

Apart from the foregoing, no director of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDERS INTERESTS IN CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests or short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO), or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to Rules 5.4 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange relating to securities transactions by the Directors, were as follows:

(a) Long position- Interests in the Company

	Type of interests	Number of Domestic 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
Director				
Chen Zhi Lie (陳志列)	interest of a controlled corporation	318,422,700 (Note 1)	90.9%	68.17%
Supervisor				
Zhou Cheng Yan (周臣岩)	Interest of a controlled corporation	1,751,500 (Note 2)	0.5%	0.38%

Notes:

- These Domestic Shares are held by Shenzhen Yanxiang Wangke Industry Co. Ltd. which is owned as to 70% by Mr. Chen Zhi Lie (陳志列) (Mr. Chen) and 4.5% by Wang Rong (王蓉), spouse of Mr. Chen. By virtue of Mr. Chen's holding of more than one-third interest in Shenzhen Yanxiang Wangke Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Yanxiang Wangke Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.
- These Domestic Shares are held by Shenzhen Kelijian Electronic Industry Co. Ltd. which is owned as to 60% by Zhou Cheng Yan, a Supervisor and 40% by Xiong Li (熊麗), an Independent Third Party. By virtue of Zhou Cheng Yan's (周臣岩) holding of more than one-third interest in Shenzhen Kelijian Electronic Industry Co. Ltd. Zhou Cheng Yan (周臣岩) is deemed to be interested in all the Domestic Shares held by Shenzhen Kelijian Electronic Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) Long position — Interests in associated corporations

Director	Associated corporation	Type of interests	Approximate percentage of holding of the total share capital of the associated corporation
Chen Zhi Lie (陳志列)	Shenzhen Yanxiang Wangke Industry Co. Ltd.	Beneficial owner	70%
		Family	4.5%
Wang Rong (王蓉)	Shenzhen Yanxiang Wangke Industry Co. Ltd.	Beneficial owner	4.5%
		Family	70%

Note: Wang Rong (王蓉) is the spouse of Mr. Chen Zhi Lie (陳志列) and therefore Mr. Chen is taken to be interested in the shares held by Wang Rong (王蓉) and 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 31 December 2003, 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 Division 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

LONG POSITIONS IN SHARES

Name of shareholder of the Company	Nature and capacity in holding shareholding interest	Number of Domestic Shares	Approximate percentage of shareholding
Shenzhen Yanxiang Wangke Industry Co. Ltd.	Registered and beneficial owner of the Domestic Shares	318,422,700	68.17%
Chen Zhi Lie (陳志列) (<i>Note</i>)	Interest of a controlled corporation	318,422,700	68.17%

Note: Mr. Chen is the beneficial owner of 70% interests in Shenzhen Yanxiang Wangke Industry Co. Ltd. and is deemed to be interested in the Domestic Shares owned by Shenzhen Yanxiang Wangke Industry 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 Shenzhen Yanxiang Wangke Industry Co. Ltd..

Save as disclosed above:

- (i) none of the Directors, supervisors or chief executives 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 which will be required pursuant to rules 5.4 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange as at 31 December 2003; and

- (ii) So far as is known to any Director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 December 2003, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company 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 year, the Directors or supervisors (including their spouse and children under 18 years of age) had any interest 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 31 December 2003, the Company has not adopted any share option scheme or granted any option.

COMPETING INTERESTS

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

SPONSORS' INTERESTS

As at 31 December 2003, neither Oriental Patron Asia Limited ("Oriental Patron") nor its directors, employees or associates (as referred to in Note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or right to subscribe for or to nominate persons to subscribe for securities of the Company.

According to an agreement dated 29 September 2003 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive sponsorship fees as being the retained sponsor of the Company as required under the GEM Listing Rules for the period from 10 October 2003 up to 31 December 2005 or until the agreement is terminated upon the terms and condition set out therein.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CONNECTED TRANSACTIONS

There were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

CORPORATE GOVERNANCE

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2003.

AUDIT COMMITTEE

An audit committee was established with written terms of reference in compliance with the requirements as set out in Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are (i) to provide an important link between the Board and the Company's auditors in matters coming within the scope of the company audit, and (ii) to review and provide supervision over the financial reporting process, the effectiveness of the external audit and of internal controls and risk evaluation. At present, the audit committee currently comprises Miss Zhou Hong and Mr. Qi Yu Kun, who are the independent non-executive directors of the Company. In the course of the supervision of the financial reporting process and internal control system of the Company, two meetings were held during the year ended 31 December 2003 to review the quarterly results. The Company's audited results for the year ended 31 December 2003 have been reviewed by the committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Chen Zhi Lie

Chairman

Shenzhen, the PRC, 24 March 2004

To: All Shareholders

The Supervisory Committee of Shenzhen EVOC Intelligent Technology Company Limited (the “Supervisory Committee”), in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company during the year ended 31 December 2003 exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, Supervisory Committee had reviewed cautiously the use of proceeds of the issue of shares in accordance with the Prospectus of the Company. It provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company. It also strictly and effectively monitored and supervised the Company’s management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and audited financial statements for the presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in year 2003 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Wang Bichun
Chairman

Shenzhen, PRC, 24 March 2004

To the members
SHENZHEN EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements on pages 31 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of the profit and cash flows of the Company for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
24 March 2004

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
TURNOVER	4	202,628	152,462
Cost of sales		(110,245)	(87,484)
Gross profit		92,383	64,978
Other revenue	4	12,883	11,320
Selling and distribution costs		(26,749)	(17,953)
Administrative expenses		(10,896)	(5,148)
Other operating expenses		(9,719)	(5,947)
PROFIT FROM OPERATING ACTIVITIES	5	57,902	47,250
Finance costs	6	(2,502)	(4,472)
PROFIT BEFORE TAX		55,400	42,778
Tax	9	(3,811)	(3,518)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		51,589	39,260
DIVIDENDS	10		
Interim		—	30,002
Proposed final		14,013	—
		14,013	30,002
EARNINGS PER SHARE — BASIC	11	RMBO.137	RMBO.112

31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
NON-CURRENT ASSETS			
Fixed assets	12	32,513	26,501
CURRENT ASSETS			
Inventories	13	35,238	36,220
Trade receivables	14	13,589	11,643
Bills receivable		5,800	172
Prepayments, deposits and other receivables	15	1,795	20,712
Cash and cash equivalents	16	198,782	81,284
		255,204	150,031
CURRENT LIABILITIES			
Trade payables	17	12,641	18,969
Tax payable		2,544	3,165
Other payables and accruals	18	13,788	6,113
Interest-bearing bank borrowings	19	30,000	68,000
		58,973	96,247
NET CURRENT ASSETS		196,231	53,784
		228,744	80,285
CAPITAL AND RESERVES			
Issued capital	20	46,710	35,030
Reserves	21	168,021	45,255
Proposed final dividend	10	14,013	—
		228,744	80,285

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
Total equity at 1 January		80,285	71,027
Net profit for the year attributable to shareholders	21	51,589	39,260
Dividends paid	10, 21	—	(30,002)
Issue of new shares	20	11,680	—
Premium on issue of new shares	20, 21	100,331	—
Share issue expenses	20, 21	(15,141)	—
Total equity at 31 December		228,744	80,285

Cash Flow Statement

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		55,400	42,778
Adjustments for:			
Finance costs	6	2,502	4,472
Interest income	4	(388)	(391)
Depreciation	5	4,738	3,396
(Gain)/loss on disposal of fixed assets	5	(40)	56
Operating profit before working capital changes		62,212	50,311
Decrease in inventories		982	1,463
Increase in trade and bills receivables		(7,574)	(1,455)
(Increase)/decrease in prepayments, deposits and other receivables		18,917	(18,047)
Decrease in trade payables		(6,328)	(1,812)
Increase in other payables and accruals		7,675	2,681
Cash generated from operations		75,884	33,141
Interest paid		(2,502)	(4,472)
Income taxes paid — PRC		(4,432)	(2,710)
Net cash inflow from operating activities		68,950	25,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		388	391
Purchases of fixed assets	12	(11,327)	(5,856)
Prepayment for fixed assets		—	(1,611)
(Increase)/decrease in time deposits with a maturity at inception of more than three months		(40,000)	46,843
Proceeds from disposal of fixed assets		617	120
Net cash inflow/(outflow) from investing activities		(50,322)	39,887
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	20	112,011	—
Share issue expenses	20	(15,141)	—
Dividends paid		—	(30,002)
New bank loans		43,000	133,000
Repayment of bank loans		(81,000)	(118,000)
Net cash inflow/(outflow) from financing activities		58,870	(15,002)
NET INCREASE IN CASH AND CASH EQUIVALENTS — page 35		77,498	50,844

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS — page 34		77,498	50,844
Cash and cash equivalents at beginning of year		81,284	30,440
CASH AND CASH EQUIVALENTS AT END OF YEAR		158,782	81,284
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	198,782	81,284
Less: Time deposits with maturity at inception of more than three months	16	40,000	—
		158,782	81,284

31 December 2003**1. CORPORATE INFORMATION**

The registered office of Shenzhen EVOC Intelligent Technology Company Limited is Flat 10B1, Tianxiang Building, Tianan Cyber Park, Chegongmiao, Shenzhen, the People's Republic of China (the "PRC").

During the year, the Company was principally engaged in the research, development, manufacture and distribution of Embedded Intelligence Platform ("EIP") products in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fixed assets and depreciation** (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4.5%
Leasehold improvements	20%
Plant and machinery	9%
Furniture, fixtures and equipment	18%–20%
Motor vehicles	18%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development costs

All research expenditure is charged to the profit and loss account as incurred.

Development expenditure incurred on the development of EIP products is capitalised and deferred only when the products are clearly defined, the expenditure is separately identifiable and can be measured reliably, and there is reasonable certainty that the products are technically feasible and have commercial value. Development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

31 December 2003**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Renminbi ("RMB") is not freely convertible into foreign currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The revised Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 12 is effective for the first time for the current year's financial statements. The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosure in note 9 to the financial statements is now more extensive than previously required and include a reconciliation between the accounting profit and the tax expense for the year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Government subsidies**

Subsidies from the PRC government are recognised at their fair value when they are received, or when there is reasonable assurance that they will be received and all attached conditions have been complied with. When a subsidy relates to an expense item, it is recognised as income over the periods necessary to match the subsidy, on a systematic basis, with the costs which it is intended to compensate. Where a subsidy relates to an asset, the fair value of the subsidy is deducted in arriving at the carrying amount of the related asset, or, as appropriate, is initially recorded as deferred income in the balance sheet, and thereafter recognised as income over the useful life of the relevant asset.

Retirement benefits costs

The Company participates in a central pension scheme (the "CPS"), operated by the PRC government, for all of its staff. The Company is required to contribute a certain percentage of its covered payroll to the CPS to fund the benefits. The only obligation of the Company with respect to the CPS is to pay the ongoing required contributions under the CPS. Contributions under the CPS are charged to the profit and loss account as they become payable in accordance with the rules of the CPS.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from tax concessions, when the relevant tax refund has been received from the Finance Bureau;
- (c) from government subsidies, when they are received or when there is reasonable assurance that they will be received and on the basis set out under the accounting policy headed "Government subsidies" above; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Foreign currency transactions

The Company's financial records are maintained and the financial statements are stated in RMB. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates as quoted by the People's Bank of China. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the applicable rates of exchange ruling at that date, as quoted by the People's Bank of China. Exchange differences are dealt with in the profit and loss account.

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. SEGMENT INFORMATION

The Company operates in one business segment, which is the sale of EIP products and therefore, no further business segment analysis is presented.

No further geographical segment analysis is presented as the Company's operations were substantially carried out in the PRC during the year.

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the turnover and other revenue is as follows:

	2003 RMB'000	2002 RMB'000
<u>Turnover</u>		
Sale of products	202,628	152,462
<u>Other revenue</u>		
Value-added tax (VAT) concession*	7,815	8,723
Government subsidies**	3,964	1,880
Interest income	388	391
Others	716	326
	12,883	11,320

* In 2002, as a company located in the Shenzhen Special Economic Zone (the "Shenzhen SEZ"), the Company was entitled to a VAT concession prior to 1 January 2003 in respect of the sale of products manufactured in the Shenzhen SEZ which were made to customers in the Shenzhen SEZ ("local sales"). In accordance with the relevant tax regulations, local sales, as calculated based on the local sales ratio approved by the local tax bureau, were exempt from output VAT. The input VAT previously paid on the purchases of raw materials used for the manufacturing of products for local sales was not deductible/refundable. The net amounts of VAT credits arising therefrom were recorded as other revenue.

A portion of the Company's VAT concession in respect of its local sales in 2002 arose from the sale of products manufactured in the Shenzhen SEZ to a subcontractor in the Shenzhen SEZ. A portion of the products was sold by the subcontractor back to the Company's branches for onward sale to the Company's customers. The estimated amount of the VAT concessions obtained by the Company under this type of arrangement, calculated based on the proportion of such sales to local sales, was RMB3,952,000 in 2002.

31 December 2003

4. TURNOVER AND REVENUE (Continued)

* (Continued)

Pursuant to "The notice on the termination of preferential VAT treatment for sales of locally produced goods within the Economic Zones" 《關於停止經濟特區地產地銷貨物增值稅優惠政策的通知》 issued by the Ministry of Finance and State Tax Bureau dated 23 November 2002, the above-mentioned preferential VAT treatment policy ceased to have effect from 1 January 2003. As a result, the Company no longer enjoys the preferential VAT treatment from which the Company benefited in the past.

Being a software enterprise approved by the Shenzhen Information Construction Office (深圳信息化辦公室) in February 2001, the Company is entitled to enjoy a VAT refund in respect of its products that are certified as software products according to the relevant document, "Notice of certain policies to encourage the Software Industry" 《關於鼓勵軟件產業發展的若干政策》 issued by the State Council. According to the relevant policy on the VAT refund, VAT payments exceeding 3% of sales of the certified software products can be refunded from the Tax Bureau and the VAT refund is exempt from corporate income tax. The Company applied for the VAT refund in 2002 and received the VAT refund of RMB7,815,000 in 2003 (2002: nil).

** Government subsidies mainly include corporate income tax ("CIT") refund of RMB1,307,000 (2002: RMB1,643,000) from the Shenzhen Finance Bureau for high technology products developed by the Company and monetary subsidies of RMB2,500,000 (2002: Nil) from the Shenzhen Information Construction Office (深圳信息化辦公室) for the development of specified software products by the Company in 2003.

5. PROFIT FROM OPERATING ACTIVITIES

The Company's profit from operating activities is arrived at after charging/(crediting):

	Note	2003 RMB'000	2002 RMB'000
Cost of inventories sold		110,245	87,484
Depreciation	12	4,738	3,396
Research and development costs		9,644	5,277
Minimum lease payments under operating leases in respect of land and buildings		5,670	4,551
Auditors' remuneration		450	421
Staff costs (excluding remuneration of directors — note 7):			
Wages and salaries		15,427	8,400
Retirement benefits scheme contributions		1,021	914
Provision for doubtful debts		—	401
Provision for slow-moving inventories		1,028	1,931
(Gain)/loss on disposal of fixed assets		(40)	56

6. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest on bank loans	2,502	4,472

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7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2003 RMB'000	2002 RMB'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	171	190
Pension scheme contributions	4	9
	175	199

The number of directors whose remuneration fell within the following band is as follows:

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000 (equivalent to approximately RMB1,062,000)	7	2

In the year ended 31 December 2002, the two directors received emoluments of approximately RMB109,000 and RMB90,000. In the year ended 31 December 2003, the three directors received emoluments of approximately RMB77,000, RMB77,000 and RMB5,000, and each of the four non-executive independent directors received emoluments of approximately RMB3,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: two) director, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining four (2002: three) non-director, highest paid employees for the year are as follows:

	2003 RMB'000	2002 RMB'000
Salaries, allowances and benefits in kind	761	470
Pension scheme contributions	21	16
	782	486

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8. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of each of number of non-director, highest paid employees fell within the range from nil to HK\$1,000,000 (equivalent to approximately RMB1,062,000) for the year.

During the year, the four non-director, highest paid employees of the Company received emoluments of approximately RMB424,000 (2002: RMB191,000), RMB100,000 (2002: RMB88,000), RMB80,000 (2002: RMB48,000) and RMB80,000 (2002: RMB48,000).

9. TAX

The Company is located in the Shenzhen SEZ and therefore is subject to a corporate income tax rate of 15%. In accordance with the relevant income tax laws and regulations in the PRC, the Company was exempt from corporate income tax for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years.

The year ended 31 December 2003 was the fifth year since the Company's first year of operations with assessable profits and accordingly, the Company was entitled to a 50% exemption from corporate income tax for the year ended 31 December 2003.

The branches of the Company are located in various cities within the PRC and are subject to corporate income tax rates ranging from 15% to 33% on their assessable profits during the year.

	2003 RMB'000	2002 RMB'000
PRC income tax — Current year's provision	3,811	3,518

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9. TAX (Continued)

A reconciliation of the income tax expense applicable to profit from operating activities before income tax at the statutory income tax rates to the income tax expense at the Company's effective income tax rate for the year is as follows:

	2003 RMB'000	2002 RMB'000
Profit before tax	55,400	42,778
Tax at the applicable tax rates	4,155	3,208
Unrecognised tax losses of the branches	412	250
Inventory provision not allowable for income tax purposes	77	145
Provision for doubtful debts not allowable for income tax purposes	—	30
Government subsidies	(883)	(141)
Others	50	26
Income tax provision for the year	3,811	3,518
The Company's effective tax rate	6.9%	8.2%

There was no significant unprovided deferred tax in respect of the year (2002: Nil).

10. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Interim — Nil (2002: RMB8.6 cents per ordinary share)	—	30,002
Proposed final — RMB3 cents (2002: Nil) per ordinary share	14,013	—
	14,013	30,002

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of RMB51,589,000 (2002: RMB39,260,000), and the weighted average number of 377,500,000 (2002: 350,300,000) ordinary shares in issue during the year.

Diluted earnings per share amount for the two years ended 31 December 2002 and 2003 have not been disclosed as no diluting events existed during these years.

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12. FIXED ASSETS

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2003	5,746	1,420	13,830	10,301	831	32,128
Additions	6,277	2,384	39	2,502	125	11,327
Disposals	—	—	—	(694)	—	(694)
At 31 December 2003	12,023	3,804	13,869	12,109	956	42,761
Accumulated depreciation:						
At 1 January 2003	259	431	2,169	2,578	190	5,627
Provided during the year	268	1,077	1,244	1,993	156	4,738
Disposals	—	—	—	(117)	—	(117)
At 31 December 2003	527	1,508	3,413	4,454	346	10,248
Net book value:						
At 31 December 2003	11,496	2,296	10,456	7,655	610	32,513
At 31 December 2002	5,487	989	11,661	7,723	641	26,501

The Company's land and buildings are situated in the PRC. The land is held under a medium term lease, which has a term of 50 years commencing from 27 November 2003.

13. INVENTORIES

	2003	2002
	RMB'000	RMB'000
Raw materials	8,822	7,398
Work in progress	1,594	1,146
Finished goods	24,822	27,676
	35,238	36,220

The carrying amount of inventories included at net realisable value in the above balance was nil (2002: RMB1,931,000) as at the balance sheet date.

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14. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 30 days to 120 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2003 RMB'000	2002 RMB'000
0 to 90 days	12,047	11,398
91 to 180 days	1,171	415
181 to 365 days	721	53
Over 1 year	234	389
	14,173	12,255
Less: Provision for doubtful debts	(584)	(612)
	13,589	11,643

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2003 RMB'000	2002 RMB'000
Prepayments	308	17,194
Deposits and other receivables	1,487	3,518
	1,795	20,712

16. CASH AND CASH EQUIVALENTS

	2003 RMB'000	2002 RMB'000
Cash and bank balances	83,782	81,284
Time deposits	115,000	—
	198,782	81,284

31 December 2003

17. TRADE PAYABLES

An aged analysis of trade payables, based on the invoice date, is as follows:

	2003 RMB'000	2002 RMB'000
0 to 90 days	10,767	14,448
91 to 180 days	798	2,031
181 to 365 days	32	1,477
Over 1 year	1,044	1,013
	12,641	18,969

18. OTHER PAYABLES AND ACCRUALS

	2003 RMB'000	2002 RMB'000
Other payables	11,329	5,620
Accruals	2,459	493
	13,788	6,113

19. INTEREST-BEARING BANK BORROWINGS

	2003 RMB'000	2002 RMB'000
Bank loans, secured by the Company's buildings	—	3,000
Bank loans, secured by guarantee	30,000	65,000
	30,000	68,000

The bank loans bore interest at a fixed rate of 5.31% (2002: ranged from 5.31% to 7.605%) per annum during the year.

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19. INTEREST-BEARING BANK BORROWINGS (Continued)

Details of the guarantees which secure certain of the bank loans are as follows:

	2003 RMB'000	2002 RMB'000
Guaranteed by Shenzhen Yanxiang Wangke Industry Co., Ltd., a shareholder of the Company	30,000	20,000
Guaranteed by unrelated parties	—	45,000
	30,000	65,000

20. SHARE CAPITAL

	2003 RMB'000	2002 RMB'000
Authorised, issued and fully paid: 467,100,000 (2002: 350,300,000) ordinary shares of RMB0.10 each	46,710	35,030

During the year, the movements in share capital were as follows:

- (a) Pursuant to a written resolution of the shareholders of the Company passed on 23 September 2003, the authorised share capital of the Company was increased from RMB35,030,000 to RMB46,710,000 by the creation of 116,800,000 ordinary shares of RMB0.10 each.
- (b) On 8 October 2003, 116,800,000 ordinary shares of RMB0.10 each were issued to the public by way of a placement of shares at HK\$0.90 (equivalent to approximately RMB0.959) each for a total cash consideration, before the related issue expenses, of HK\$105,120,000 (equivalent to approximately RMB112,011,000).

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2002 and 1 January 2003	350,300,000	35,030	—	35,030
Shares issued on the placing (b)	116,800,000	11,680	100,331	112,011
Share issue expenses	—	—	(15,141)	(15,141)
At 31 December 2003	467,100,000	46,710	85,190	131,900

31 December 2003

21. RESERVES

	Share premium account	Statutory funds*	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2002	—	5,399	30,598	35,997
Net profit for the year	—	—	39,260	39,260
Transfer from/(to) reserves	—	5,737	(5,737)	—
Dividends	—	—	(30,002)	(30,002)
Balance as at 31 December 2002	—	11,136	34,119	45,255
Shares issued on placing (note 20)	100,331	—	—	100,331
Share issue expenses (note 20)	(15,141)	—	—	(15,141)
Net profit for the year	—	—	51,589	51,589
Transfer from/(to) reserves	—	7,738	(7,738)	—
Dividends	—	—	(14,013)	(14,013)
At 31 December 2003	<u>85,190</u>	<u>18,874</u>	<u>63,957</u>	<u>168,021</u>

* The Company is required to follow the laws and regulations of the PRC and its articles of association to provide for certain statutory funds, namely, the statutory surplus reserve fund and the statutory public welfare fund (together, the "statutory funds").

Statutory surplus reserve fund

The Company is required to appropriate, at the discretion of its board of directors, at least 10% of its profit after tax, to the statutory surplus reserve fund until such reserve reaches 50% of the Company's share capital. Any further appropriation is optional. The statutory surplus reserve fund may be utilised to offset prior years' losses or may be capitalised into share capital, provided that the remaining balance is not less than 25% of the share capital after such capitalisation.

Statutory public welfare fund

The Company is required to appropriate, at the discretion of its board of directors, at least 5% to 10% of its profit after tax to a statutory public welfare fund. The statutory public welfare fund may only be used for the collective welfare of the employees.

In accordance with PRC rules and regulations, for the purpose of transfers to the statutory reserves, the Company's profit after tax is determined based on the lower of the amounts reported in accordance with PRC accounting standards and regulations, and those reported in accordance with accounting principles generally accepted in Hong Kong.

31 December 2003

22. CONTINGENT LIABILITIES

	2003 RMB'000	2002 RMB'000
Endorsed bills	1,716	—

23. OPERATING LEASE ARRANGEMENTS

The Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

As at the balance sheet date, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 RMB'000	2002 RMB'000
Within one year	4,727	7,004
In the second to fifth years, inclusive	2,972	5,460
	7,699	12,464

Apart from the operating leases, the Company did not have any other commitments at 31 December 2003.

24. RELATED PARTY TRANSACTIONS

The Company had the following material transactions with related parties during the year:

- (i) The office premises currently used by the Company, which are located at 7th floor, No. 5.8 Tianji Building, Tian'an Digital City, Shenzhen, the PRC with an area of 575 square metres, are provided by the managing director, Mr. Chen Zhilie at zero charge.
- (ii) As at 31 December 2003, short term bank loans amounting to RMB30 million were guaranteed by Shenzhen Yanxiang Wangke Industry Co., Ltd., a shareholder of the Company.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2004.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shenzhen EVOC Intelligent Technology Company Limited (the “Company”) will be held at 27/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong on 17 May 2004 at 10:00 a.m. for the following purposes:

1. To consider and approve the audited financial statements of the Company and the reports of the directors and of the auditors of the Company for the year ended 31 December 2003;
2. To consider and approve the report of the supervisors of the Company for the year ended 31 December 2003;
3. To re-elect directors of the Company and to authorize the board of directors to fix their remuneration;
4. To re-appoint auditors of the Company and to authorize the board of directors to fix their remuneration;
5. To consider and approve a final dividend for the year ended 31 December 2003;
6. To consider and approve the appropriation to statutory surplus reserve and statutory public welfare fund for the year ended 31 December 2003; and
7. To transact any other matters.

By Order of the Board
Shenzhen EVOC Intelligent Technology Company Limited
Chen Zhi Lie
Chairman

Shenzhen, the PRC
24 March 2004

Registered office and principal place of business
Flat 10B1, Tianxiang Building
Tianan Cyber Park
Chegongmiao
Shenzhen
PRC

Liaison office in Hong Kong
Unit No. 1014, 10th Floor
Star House
3 Salisbury Road
Tsimshatsui
Hong Kong

Notes:

1. The register of members of the Company will be closed from 16 April 2004 to 17 May 2004 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company at 4:00 p.m. on 15 April 2004 will be entitled to attend and vote at the Annual General Meeting. The proposed dividend will be payable on 30 June 2004 whose names appear in the register of shareholders of the Company on 17 May 2004. In order to qualify for attendance at the above meeting, instruments of transfer accompanied by share certificates and other appropriate

documents must be lodged with the Company's H share registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on 15 April 2004.

2. Any holders of H shares and domestic shares entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint in written form one or more proxies to attend and vote at the Annual General Meeting on his behalf. A proxy needs not be a holder of H shares and domestic shares of the Company.
3. In order to be valid, the voting proxy form for the Annual General Meeting shall be signed by the appointer or his attorney duly authorized in writing. If the appointer is a legal person, then the form shall be signed under a legal person's seal or signed by its director or an attorney duly authorized in writing. If the form is signed by a person authorized by the appointer, the power of attorney or other document of authority under which the form is signed shall be notarized. In order to be valid, the voting proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney must be delivered to the Company's H shares registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
4. Holders of H shares and domestic shares, who intend to attend the Annual General Meeting, should notify in writing of their attendance by completing and returning the written replies for attending the Annual General Meeting to the Company at its liaison office in Hong Kong by hand, by post or by fax on or before 26 April 2004.
5. Liaison office in Hong Kong and the contact details of the Company are as follows:

Unit No. 1014, 10th Floor, Star House, 3 Salisbury Road, Tsimshatsui, Hong Kong.
Fax No. (852)2375-7238