

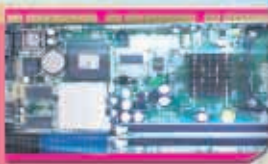


深圳市研祥智能科技股份有限公司

Shenzhen EVOC Intelligent Technology Company Limited*

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

2005



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This report, for which 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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company 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 report have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

Financial Highlights

The turnover of the Company for the six months ended 30 June 2005 was approximately RMB101 million (2004: RMB98 million), representing an increase of approximately 3% as compared to the same period of last year.

The net profit attributable to shareholders for the six months ended 30 June 2005 amounted to approximately RMB17 million (2004: RMB22 million), representing a decrease of approximately 24% as compared to the same period of last year.

Earnings per share of the Company were approximately RMBO.036 (2004: RMBO.047) for the six months ended 30 June 2005.

The Directors do not recommend the payment of dividend for the six months ended 30 June 2005 (2004: Nil).

UNAUDITED RESULTS

The board of directors (the “Directors”) of Shenzhen EVOC Intelligent Technology Company Limited (the “Company”) is pleased to present the unaudited results of the Company, for the six months and three months ended 30 June 2005, together with the comparative unaudited results of the Company for the corresponding period in 2004, as follows:

PROFIT AND LOSS ACCOUNT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
Turnover	3	60,150	55,629	100,838	97,896
Cost of sales		(36,557)	(33,437)	(62,963)	(58,812)
Gross profit		23,593	22,192	37,875	39,084
Other revenue		2,009	4,046	4,291	5,534
Selling and distribution costs		(5,508)	(5,208)	(10,752)	(11,134)
Administrative expenses		(2,746)	(1,635)	(5,091)	(3,404)
Other operating expenses		(4,783)	(3,334)	(8,028)	(5,485)
Profit from operating activities		12,565	16,061	18,295	24,595
Finance costs		(113)	(220)	(127)	(555)
Profit before tax		12,452	15,841	18,168	24,040
Tax	4	(929)	(1,134)	(1,417)	(1,872)
Profit attributable to shareholders		11,523	14,707	16,751	22,168
Dividend	5	—	—	—	—
Earnings per share					
— Basic	6	RM0.025	RM0.031	RM0.036	RM0.047

CONDENSED BALANCE SHEET

	Notes	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
NON-CURRENT ASSETS			
Fixed assets	7	34,740	30,654
CURRENT ASSETS			
Inventories		39,139	28,347
Trade receivables	8	27,102	26,889
Bills receivables		5,887	2,181
Prepayments, deposits and other receivables	9	7,127	2,435
Cash and cash equivalents	10	196,481	206,062
		275,736	265,914
CURRENT LIABILITIES			
Trade payables	11	30,622	17,833
Tax payable		2,367	3,180
Other payables and accruals	12	12,179	15,320
Other loans	13	2,000	2,000
		47,168	38,333
NET CURRENT ASSETS		228,568	227,581
		263,308	258,235
CAPITAL AND RESERVES			
Issued capital	14	46,710	46,710
Reserves	15	216,598	199,847
Proposed final dividend		—	11,678
		263,308	258,235

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,743	16,481
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(4,575)	20,736
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(10,749)	(44,013)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,581)	(6,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	206,062	158,782
CASH AND CASH EQUIVALENTS AT END OF PERIOD	196,481	151,986

STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
Total equity at 1 January	258,235	228,744
Net profit for the period attributable to shareholders	16,751	22,168
Dividend paid	(11,678)	(14,013)
Total equity at 30 June	263,308	236,899

Notes:

1. Corporate information

The Company was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the Company law. The Company's H Shares were listed on the GEM of the Stock Exchange on 10 October 2003 (the "Listing"). The Company is principally engaged in the research, development, manufacture and distribution of Embedded Intelligent Platform ("EIP") products in the PRC.

2. Basis of preparation

The unaudited interim results of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Company has not early adopted these new HKFRSs in the unaudited results for the period ended 30 June 2005.

3. Turnover

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

4. Tax

The Company is located in the Shenzhen Special Economic Zone and is therefore 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 "Shenzhen Enterprise Preferential Tax Treatment").

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.

As a new and high technology enterprise, the Company had apply to the Shenzhen Administration of Taxation in 2004 for a 50% exemption from income tax and obtained the approval for three more years until the year ending 31 December 2006.

The branches of the Company are located in various cities within the PRC and are subject to a corporate income tax rate of 33% on their assessable profits during the period.

No provision for Hong Kong Profits Tax has been made in the financial statements, as the Company has no assessable profits arising in Hong Kong for the period.

5. Dividends

The Directors do not recommend the payment of dividend for the six months ended 30 June 2005 (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit attributable to shareholders of approximately RMB16,751,000 (2004: RMB22,168,000) and the 467,100,000 (2004: 467,100,000) ordinary shares in issue during the period.

Diluted earnings per share amount for the six months ended 30 June 2004 and 2005 have not been disclosed as no diluting events existed during these period.

7. Fixed Assets, net

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2005	12,023	1,877	13,897	14,692	956	1,663	45,108
Additions	—	—	99	357	293	5,751	6,500
Disposals	—	—	—	(366)	(53)	—	(419)
At 30 June 2005	12,023	1,877	13,996	14,683	1,196	7,414	51,189
Accumulated depreciation:							
At 1 January 2005	912	1,613	4,658	6,762	509	—	14,454
Provided during the period	192	103	702	1,181	71	—	2,249
Disposals	—	—	—	(207)	(47)	—	(254)
At 30 June 2005	1,104	1,716	5,360	7,736	533	—	16,449
Net book value:							
As at 30 June 2005	10,919	161	8,636	6,947	663	7,414	34,740
As at 31 December 2004	11,111	264	9,239	7,930	447	1,663	30,654

8. 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 viewed regularly by senior management.

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

	30 June 2005 RMB'000	31 December 2004 RMB'000
0 to 90 days	19,456	23,035
91 to 180 days	3,584	4,317
181 to 365 days	4,931	108
Over 1 year	1,173	1,519
	29,144	28,979
Less: Provision for doubtful debts	(2,042)	(2,090)
	27,102	26,889

9. Prepayments, Deposits and Other Receivables

	30 June 2005 RMB'000	31 December 2004 RMB'000
Prepayments	3,499	144
Deposits and other receivables	3,628	2,291
	7,127	2,435

10. Cash and Cash Equivalents

	30 June 2005 RMB'000	31 December 2004 RMB'000
Cash and bank balances	54,381	66,062
Time deposits	142,100	140,000
	196,481	206,062

11. Trade Payables

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

	30 June 2005 RMB'000	31 December 2004 RMB'000
0 to 90 days	24,819	16,336
91 to 180 days	4,503	538
181 to 365 days	475	57
Over 1 year	825	902
	30,622	17,833

12. Other Payables and Accruals

	30 June 2005 RMB'000	31 December 2004 RMB'000
Other payables	10,935	13,650
Accruals	1,244	1,670
	12,179	15,320

13. Other Loan

Other loan represents a loan from the Shenzhen Municipal Government which is unsecured, interest-free and is repayable in July 2005.

14. Share Capital

	30 June 2005 RMB'000	31 December 2004 RMB'000
Authorized, issued and fully paid: 467,100,000 (2004: 467,100,000) ordinary shares of RMB0.10 each	46,710	46,710

15. Reserves

	Share premium account RMB'000	Statutory funds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2004	85,190	18,874	63,957	168,021
Net profit for the year	—	—	43,504	43,504
Transfer from/(to) reserves	—	6,526	(6,526)	—
Proposed final 2004 dividend	—	—	(11,678)	(11,678)
At 31 December 2004	85,190	25,400	89,257	199,847
Net profit for the period	—	—	16,751	16,751
At 30 June 2005	85,190	25,400	106,008	216,598

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2005, the Company reported an unaudited turnover of RMB100,838,000 (2004: RMB97,896,000), representing a growth of 3% as compared with the same period of last year, which was mainly due to the increase in the turnover for the company's chassis-type EIP products as a result of reduction in selling price.

For the six months ended 30 June 2005, the Company recorded an unaudited net profit of RMB16,751,000 (2004: RMB22,168,000), represented a decline of 24% as compared with the same period of last year. The gross profit margin was 38% as compared to 40% of the same period of last year. The decrease in gross profit margin was mainly due to changes in the turnover of product mix. The decrease of net profit was mainly due to decrease in gross profit and increase in other operating expenses. The research and development costs for the six months ended 30 June 2005 were approximately RMB8 million (2004: RMB5.5 million) which were included in other operating expenses.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2005, the Company had shareholders' funds/net assets of approximately RMB263 million. It mainly comprised bank balances which amounted to approximately RMB196 million, inventories of approximately RMB39 million and trade and bills receivables amounted to approximately RMB33 million. The Company did not have any long-term liabilities. Current liabilities of the Company mainly comprised other loans of RMB2 million and trade and other payables of approximately RMB45 million. Net assets value per share of the Company is approximately RMBO.56.

As at 30 June 2005, the gearing ratio of the Company is about 15% (2004: 13%). It is defined as the Company's total liabilities over the total assets.

Capital Structure

During the six months ended 30 June 2005, there is no change in the Company's share capital. 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 Renminbi in bank accounts as working capital of the Company.

Employee Information

As at 30 June 2005, the Company had 880 (30 June 2004: 844) full time employees and the total remuneration for the period was approximately RMB7.4 million (2004: RMB6.9 million). The increase in employees was due to the increase in production capacity during the period and expansion of sales team. Besides, it was due to the increase in the management team for the construction of the EVOC Technology Building. The Company has formed a strategic alliance with certain higher education institutes and research institutes in PRC to strengthen its research and development team. The Company's remuneration policies are in line with prevailing market practice and are determined on the basis of the performance and experience of individual employees. The Company participates in a central pension scheme, operated by the PRC government for its staff in PRC. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

Contingent Liabilities

As at 30 June 2005, the Company did not have any contingent liabilities (31 December 2004: approximately RMB2.2 million).

Charges on assets

During the period under review, no assets of the Company were pledged (31 December 2004: Nil).

Exchange Rate Exposure

All of the Company's assets, liabilities and transaction are denominated either in Hong Kong dollars or Renminbi (RMB). As the exchange rate of HK dollar and RMB were relatively stable during the period under review, so the Directors do not consider that the Company was exposed to any material foreign currency exchange risk. Therefore, no hedging or other alternatives have been implemented.

Business Review

During the period under review, the Company continued to engage in the research, development, manufacture and distribution of EIP products in the PRC. The Company offers over 230 EIP products, which can be broadly classified by distinctive function and features into three categories, namely, chassis-type EIP products, board-type EIP products and remote data modules.

EIP products manufactured and distributed by the Company are widely applied in areas of tele-communication, industrial, military, video frequency control, transportation, Internet, commerce and finance, etc.

The market of EIP products in PRC are on an uptrend with steady growth. As a new and high technology enterprise, the Company benefits from “Policies to Encourage the Software Industry” promulgated by the government. The use of EIP products were more popular with the modernization and informatization of enterprises. Among various industries, commerce and finance, and communication and network were still the leaders in the usage of EIP products. At the same time, the application of EIP products in some traditional industries and specialized industries were increasing and it provides a potential market to the Company.

The Company had continued focusing on research and development of (i) second generation of EIP products; (ii) existing EIP products for specific industry applications and (iii) large scale IC products for use in EIP setting. The new products launched including (i) low consumption EIP platform and IP-TV cableless EIP platform; (ii) three different types of compact PCI-based communication EIP products and (iii) new generation of EIP products with RISC solutions with inbuilt ERCOS platform.

Product Categories

The following table provides an analysis of the Company’s turnover by products categories:

	Turnover			
	Six months ended 30 June			
	2005 (unaudited)		2004 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	55,649	55.2	56,630	57.8
Chassis-type EIP	42,434	42.1	37,971	38.8
Remote data modules	2,755	2.7	3,295	3.4
	100,838	100	97,896	100

Sales and Marketing

During the period under review, the Company fine-tune its marketing strategy and concentrate on valuable customer in specific industries and net profit. The year 2005 was named as “year of valuable customers” and “year of net profit”. During the year, the Company will boost its overall competitiveness in expanding sales network, research and development, production process, quality control, product quality and corporate and brand image. The company also provide training sessions to authorised distribution agents to enhance their sales and marketing techniques.

In line with the sales and marketing activities started in the past, the Company has launched a series of large scale marketing promotion and advertising campaign including “EIP Technology Exchange Fair 2005” (二零零五年EIP技術交流會), “First Non-classical Management Forum in China” (中國首屆非經典管理高峰論壇) and “EIP technology training courses” (EIP技術培訓班).

During the period, a total number of 25 “EIP technology exchange fair” were organised with the assistance of some research institutes and target customers. The fair will lead to a formation of EIP technology exchange platform and strengthen the application of EIP technology in various industries. The company held the “Non-classical Management Forum” during May to June 2005 in seven cities in PRC, the aim of the forum was to bring a new non-classical management idea to local enterprise and stimulate their reform in management and innovation. EIP technology training courses were held three times during the period and over 100 participants attended which come from different regions in PRC. The Company shared the techniques and experience with the technicians and customers and will continue to organize such training courses in different areas as well as on the internet.

The Company will continue to participate in major exhibitions, organize seminars and forum, conduct advertising through local mass media and internet that will boost its product image and sales.

PROSPECTS

With the rapid development in the information industry in PRC, the use of products with networking facilities, intelligent platform and information exchange abilities were widely applied. EIP technology can be used in different areas through different media such as ATM machine, firewall, lottery machine, intelligent home electrical appliance and PDA, etc. EIP technology was recognized as one of the major areas of development in the nation’s “Ninth Five-Year Plan” and “Tenth Five-Year Plan”.

The Company believes that EIP technology has the highest potential and will continue to experience significant growth in IT industry. It consists the following characteristics such as tailor-made, flexible in size, multi-purpose and can be widely applied in many areas. The growth of EIP market will outgrow the desktop PC market in the future. Comparing with international EIP markets, EIP in China was just at the beginning. The rapid economic growth in China will further explore the application of EIP products among various industries. The Company will take advantage of such growth opportunities and continue to invest in research and development. The company, as the largest EIP product manufacturer in PRC, has already made certain breakthrough in technology.

With the expansion in the application of EIP products, the Company will continue to invest heavily in research and development. The Company will launch a series of new products with new technology inside to cope with the market. The development of new technologies and market-oriented products lays concrete foundation for the Company to further develop its services in the informatization among various industries.

The Company will also increase efforts in brand building and corporate image. The construction of EVOC Technology Building was on schedule and the first "China Museum of EIP" (中國工控博物館) will establish inside EVOC Technology Building. The construction of EVOC Technology Building will benefit the Company by increasing overall efficiency, strengthening research and development capabilities increasing asset base as well as corporate image. The establishment of "China Museum of EIP" will benefit the Company by increasing the popularity of EVOC products, social influence and the overall corporate goodwill.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 six months ended 30 June 2005:

Business Objectives	Actual Business Progress during the Period
<p>1. Research and Development</p>	
<p>— New Technologies</p>	
<ul style="list-style-type: none"> • Continue to develop second generation of EIP products 	<ul style="list-style-type: none"> • Developed new generation of PCI-Express products and sampling produced
<ul style="list-style-type: none"> • Continue to refine existing EIP products for specific industry applications 	<ul style="list-style-type: none"> • Six different types of EIP products launched, mainly applied in medical control, finance and communication, namely: <ol style="list-style-type: none"> 1. EC3-5522CLDNA 3.5 inch ARM platform which used in medical control; 2. POS-1711VNA P4 which used in finance; 3. NET-1711VD4N platform which used in networking; 4. FSC-1718VN PCI-X platform which used in communication; 5. 104-1611CLDNA P3 low consumption PC/104 platform which used in railway and data control; 6. PPC-1701 17 inch flat computer which used in multi-media.
<ul style="list-style-type: none"> • Set up the centralized EIP R&D centre 	<ul style="list-style-type: none"> • Centralized EIP R&D center is in progress and some equipment was in use
<ul style="list-style-type: none"> • Commence R&D on large scale IC products for use in EIP setting 	<ul style="list-style-type: none"> • Market research was completed and commenced technological setting

Business Objectives	Actual Business Progress during the Period
<ul style="list-style-type: none"> — Expansion of R&D department <ul style="list-style-type: none"> ● Renew R&D facilities for design and functions analysis ● Recruitment of 15 staff — Acquiring new machineries <ul style="list-style-type: none"> ● Enhancement of surface mount technology production facilities 	<ul style="list-style-type: none"> ● Existing facilities were satisfied, further expansion will be situated inside EVOC Technology Building ● Recruited 8 staffs ● Commenced to purchase production facilities to expand production ability, SMT facilities was already in place
<p>2. Launch and promotion of new products</p>	
<ul style="list-style-type: none"> — New products <ul style="list-style-type: none"> ● Launch cableless EIP platform ● Promote compact PCI-based communication EIP products ● Launch RISC solution EIP products with inbuilt ERCOS platform 	<ul style="list-style-type: none"> ● Two types of new products launched, namely: <ol style="list-style-type: none"> 1. EC5-1712CLDNA low consumption cableless EIP platform which used in multi-media 2. STB-1612CLDNA IP-TV cableless EIP platform which used in the intellectualization lives at home ● Three types of new products were launched, namely CPC-8401, CPC-8201 and CPC-1611CVD2NA ● Major products were ESX-5521CLDNA ARM9 EIP and ESM-5510CLN ARM7 EIP which used in industrial control

Business Objectives	Actual Business Progress during the Period
<p data-bbox="191 331 508 355">3. Brand building and marketing</p> <p data-bbox="239 376 588 419">— Trade fairs, training courses and seminars</p> <ul style="list-style-type: none"> <li data-bbox="287 445 588 647">● Participate in national trade fairs and product exhibitions in relation to technologies advancement for various industries such as automation, tele-communication, finance, electricity and transportation 	<ul style="list-style-type: none"> <li data-bbox="655 445 1003 488">● The Company participated in the following exhibitions during the period: <ol style="list-style-type: none"> <li data-bbox="655 513 969 624">1. Seventh Chinese (Xian) International Industry Control and Meter Fair [第七屆中國(西安)國際工業控制、儀器儀錶計量測試展覽會]; <li data-bbox="655 649 911 692">2. Wuhan Automatic Fair [武漢自動化展會]; <li data-bbox="655 718 992 805">3. Chongqing Meter and Industrial Control Automatic International Fair [重慶儀器儀錶工業控制自動化國際展覽會]; <li data-bbox="655 831 1003 919">4. Sixth Changqing International Industrial Control and Meter Fair [第六屆(長春)國際工業控制及自動化儀器儀錶展覽會]; <li data-bbox="655 944 983 1032">5. North-east China (Shengyang) Eighth International Meter Fair [中國東北(瀋陽)第八屆國際儀器儀錶及工業自動化展覽會]; <li data-bbox="655 1058 934 1123">6. Nanjing Meter Automatic Exhibition [南京儀器儀錶自動化展覽會]; <li data-bbox="655 1149 922 1192">7. Shanghai ESC Exhibition [上海ESC展覽會]; <li data-bbox="655 1217 938 1305">8. 2005 Tianjiang University Equipment Fair [二零零五年天津大學設備儀器儀錶展示會]; <li data-bbox="655 1331 983 1418">9. 2005 Sixth South-west Region Automatic Equipment Fair [二零零五年第六屆西南地區自動化及儀器儀錶國際展覽會];

Business Objectives	Actual Business Progress during the Period
<ul style="list-style-type: none"> ● Organize and offer training on product and sales strategy for authorized distribution agents ● Focus marketing resources on special events and festivals 	<ol style="list-style-type: none"> 10. 2005 Beijing International Traffic Safety Exhibition [二零零五年北京國際道路交通安全暨智能交通展覽會]; 11. Sixth Haerbin Automatic Meter Fair [哈爾濱第六屆自動化及儀器儀錶展覽會]; 12. Hangzhou E-times Automatic Fair [杭州E時代自動化展覽會]; 13. Xiamen Highway Fair [廈門高速公路機電展覽會]; 14. Ninth International Industrial Automatic Technology Fair [第九屆國際工業自動化與控制技術展覽會]. <ul style="list-style-type: none"> ● EIP technology exchange fair was held 25 times and EIP technology training courses was held 3 times with over 100 participants ● Starting in 2005, a book "Non-classical management" will be awarded to the customers and "First Non-classical Management Forum in China" [首屆中國非經典管理高峰論壇] was held with the assistance of QingHua University Management Faculty [清華大學管理學院] in seven cities
<p>— Promotions and advertising</p>	
<ul style="list-style-type: none"> ● Conduct promotional and advertising campaigns on public facilities through professional mass media in major cities of the PRC 	<ul style="list-style-type: none"> ● Participated in "IPOWER 500 Conference" [中國企業信息化500強會議] held by CECA National Information Evaluation Centre [CECA國家信息化測評中心] in Beijing and promoting the Video-conferencing system ● Conducted promotional campaigns with some mass media in "2005 Sales Activities" [2005年產品促銷大餐].

Business Objectives	Actual Business Progress during the Period
<ul style="list-style-type: none"> ● Continue to enhance the utilization of the Company's resources on joint marketing campaigns conducted with strategic sales and marketing partners ● Post advertisements on local and international IT related publications and advertise through suitable organizations on the internet ● Post outdoor advertisements in major cities of the PRC 	<ul style="list-style-type: none"> ● Establishment of "China Museum of EIP" (中國工控博物館) together with China Computer Association EIP Professional Committee (中國計算機學會工控機專業委員會) inside EVOC Technology Building. In line with this, the Company will conduct public activities to ask for exhibition materials with an aim to enhance public awareness of the Company. ● Placed advertisements in more than 30 IT related publications and professional mass media and on internet to promote our products and brandname. ● Posted outdoor advertisements in Beijing, Shanghai, Shenzhen, Tianjing, and Hangzhou.
<h4>4. Business development</h4>	
<ul style="list-style-type: none"> — Sales channels and distribution network <ul style="list-style-type: none"> ● Expand the existing distribution network by engaging new authorised distribution agents ● Set up new regional sales and the service office in provinces in the PRC 	<ul style="list-style-type: none"> ● Conducted training the existing authorised distribution agents to enhance their sales and marketing techniques. ● Set up new representative office in Haerbin and Dalian.

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. On 26 April 2005, the Company announced that due to the need for the expansion of the R&D department and the construction of the EVOC Technology Building, the Board has approved the change of application of proceeds from the Placing. Details of utilization of fundings from the actual net proceeds, change of application of proceeds at 25 April 2005 and the proposed applications and set out on page 88 of the Prospectus during the period from 10 October 2003 to 30 June 2005 (the "Period") are as follows:

	Proposed fundings required during the Period HK\$'000	Actual fundings spent during the Period HK\$'000	Change of application of proceeds from Proceeds from Placing at 25 April 2005 HK\$'000	Proceeds remaining unutilized as at 30 June 2005 HK\$'000
For the expansion of the R&D department <i>(Note i)</i>	14,400	23,000	23,000	0
For capital expenditure to acquire machinery for new EIP and ERCOS technology related products <i>(Note i)</i>	20,750	8,111	9,000	889
For building sales channels and distribution network <i>(Note i)</i>	14,000	1,000	1,000	0
For brand building and marketing activities <i>(Note ii)</i>	18,000	11,722	13,000	1,278
For establishment of EVOC Central Research Institute inside the EVOC Technology Building <i>(Note iii)</i>	—	6,994	40,000	33,006
Total:	67,150	50,827	86,000	35,173

Notes:

- (i) Due to the change of application of proceeds from the placing approved by the Board on 25 April 2005, the actual fundings spent for the period was fully used.
- (ii) The Company actively participated in trade fairs and organize training course and seminars in order to enhance the sales and marketing techniques and services to customers and two new representative office in Haerbin and Dalian has set up. The Company also promotes its brandname and products through advertisement and sponsoring activities. The Company will continue to monitor the marketing budget and consider the prospective market in the future.
- (iii) The construction work for the establishment of EVOC Research Institute inside EVOC Technology Building commenced during the period and the piling construction work was completed. The actual fundings spent was in accordance with the original plan and the remaining funds will be used according to the construction schedule.

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

As at 30 June 2005, 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 Rule 5.46 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 Shares	Class of Shares	Approximate percentage of holding of the relevant class of shares of the Company	Approximate percentage of holding of the total share capital of the Company
Director					
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	318,422,700 (Note 1)	Domestic Shares	90.90%	68.17%
Zhou Hong (周紅)	Beneficial owner	20,000	H Shares	0.02%	0.004%
Supervisor					
Zhou Cheng Yan (周臣岩)	Interest of a controlled corporation	1,751,500 (Note 2)	Domestic Shares	0.50%	0.37%

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 Ms. 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.

2. These Domestic Shares are held by Shenzhen Kelijian Electronic Industry Co. Ltd. which is owned as to 60% by Zhou Cheng Yan (周臣岩), 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:

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 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 shares	Class of Shares	Percentage of the relevant class of shares	Percentage of total registered share capital
Shenzhen Yanxiang Wangke Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	318,422,700	Domestic Shares	90.90%	68.17%
Chen Zhi Lie (陳志列) <i>(Note)</i>	Interest of a controlled corporation	318,422,700	Domestic Shares	90.90%	68.17%
Shenzhen Haoxuntong Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	17,515,000	Domestic Shares	5.00%	3.75%
AIG Global Investment Corporation (Asia) Ltd	Investment manager	13,948,000	H Shares	11.94%	2.99%
Commerzbank Asset Management Asia Ltd.	Investment manager	10,500,000	H Shares	8.98%	2.25%

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 5.46 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange as at 30 June 2005; 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 30 June 2005, 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 period, 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 30 June 2005, 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 30 June 2005, 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 GEM Listing Rules.

COMMITMENTS

As at 30 June 2005, the Company had a contracted but not provided for commitments amounting to approximately RMB66,152,000 (31 December 2004: RMB5,146,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules except that the Board of Directors of the Company is in the process of defining the composition and terms of reference of the Remuneration and Review Committee and it is expected that such process will be completed at August 2005 where a board meeting is scheduled.

The Company has received written confirmations from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers all independent non-executive directors to be independent.

During the six months ended 30 June 2005, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2005.

AUDIT COMMITTEE

An audit committee was established with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 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. The Company's unaudited interim results for the six months ended 30 June 2005 has been reviewed by the audit committee. The committee was of the opinion that such results complied with the applicable accounting standard and legal requirements and adequate disclosures have been made. The audit committee comprises Ms. Zhou Hong, Mr. Wen Bing and Mr. Wang Tian Xiang, who are the independent non-executive directors of the Company.

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

Shenzhen, PRC, 8 August 2005

As at the date hereof, the executive directors of the Company are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun; the independent non-executive directors of the Company are Mr. Wen Bing, Ms. Zhou Hong, Mr. Dong Lixin and Mr. Wang Tian Xiang.

* For identification only