



深圳市研祥智能科技股份有限公司
Shenzhen EVOC Intelligent Technology Company Limited*
Stock Code : 8285

INTERIM REPORT
INTERIM REPORT

2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this 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 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 revenue of the Group for the six months ended 30 June 2006 was approximately RMB125 million (2005: RMB101 million), representing an increase of approximately 24% as compared to the same period of last year.

The profit attributable to equity holders of the Company for the six months ended 30 June 2006 amounted to approximately RMB26 million (2005: RMB17 million), representing an increase of approximately 55% as compared to the same period of last year.

Earnings per share was approximately RMB0.025 (2005: RMB0.016) for the six months ended 30 June 2006.

The Directors do not recommend the payment of dividend for the six months ended 30 June 2006 (2005: Nil).

UNAUDITED RESULTS

The board of directors (the "Directors") is pleased to present the unaudited consolidated results of the Group for the six months and three months ended 30 June 2006, together with the comparative unaudited results for the corresponding period in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000 (Restated)	2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000 (Restated)
Revenue	3	69,586	60,150	125,197	100,838
Cost of sales		(42,785)	(36,557)	(78,914)	(62,963)
Gross profit		26,801	23,593	46,283	37,875
Other income		1,671	2,009	3,759	4,291
Selling and distribution costs		(5,554)	(5,508)	(10,581)	(10,752)
Administrative expenses		(2,514)	(2,746)	(4,740)	(5,091)
Other operating expenses		(975)	(4,783)	(6,620)	(8,028)
Finance costs		(15)	(113)	(56)	(127)
Profit before tax		19,414	12,452	28,045	18,168
Tax	4	(1,431)	(929)	(2,071)	(1,417)
Profit attributable to equity holders of the Company		17,983	11,523	25,974	16,751
Dividend	5	—	—	—	—
Earnings per share attributable to ordinary equity holders of the Company					
Basic	6	RMB0.017	RMB0.011	RMB0.025	RMB0.016

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	88,763	60,114
Land lease prepayments		5,826	5,889
Total non-current assets		94,589	66,003
CURRENT ASSETS			
Inventories		38,514	34,661
Trade receivables	8	36,272	25,125
Bills receivables		3,537	10,565
Prepayments, deposits and other receivables	9	7,124	6,332
Cash and cash equivalents	10	202,935	201,307
Total current assets		288,382	277,990
CURRENT LIABILITIES			
Trade payables	11	40,516	27,695
Bills payable		4,013	1,770
Tax payable		4,223	3,408
Other payables and accruals	12	16,562	19,317
Total current liabilities		65,314	52,190
NET CURRENT ASSETS		223,068	225,800
Net assets		317,657	291,803
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued Capital		102,762	46,710
Reserves		214,895	244,973
Minority interests		—	120
Total equity		317,657	291,803

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Issued share capital RMB'000	Share premium account RMB'000	Statutory funds RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2005	46,710	85,190	25,400	89,257	11,678	258,235
Net profit for the year	—	—	—	45,126	—	45,126
Final 2005 dividend declared	—	—	—	—	(11,678)	(11,678)
Transfer from/(to) reserves	—	—	6,652	(6,652)	—	—
At 31 December 2005 and 1 January 2006	46,710	85,190	32,052	127,731	—	291,683
Bonus Share	56,052	(56,052)	—	—	—	—
Net profit for the period	—	—	—	25,974	—	25,974
At 30 June 2006	102,762	29,138	32,052	153,705	—	317,657

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23,261	5,743
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(21,633)	(4,575)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	—	(10,749)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,628	(9,581)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	201,307	206,062
CASH AND CASH EQUIVALENTS AT END OF PERIOD	202,935	196,481

Notes:

1. Corporate information

Shenzhen EVOC Intelligent Technology Company Limited is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at Flat 10B1, Tianxiang Building, Tian An Cyber Park, Chegongmiao, Shenzhen, the PRC.

During the period, the Group was principally engaged in the research, development, manufacture and distribution of Embedded Intelligent Platform ("EIP") products in Mainland China.

2. Basis of preparation

The unaudited interim results of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") 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. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2005. They have been prepared under the historical cost convention and are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. Revenue

Revenue, which is also the Group's 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.

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

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

The subsidiary of the Group located in Shenzhen Special Economic Zone is exempt from corporate income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years, therefore no provision for income tax has been made for the period. No provision for corporate income tax has been made for the subsidiary in Shanghai as it did not have any assessable profit for the period.

5. Dividend

The Directors do not recommend the payment of dividend for the six months ended 30 June 2006 (2005: Nil).

6. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to ordinary equity holders of the Company of approximately RMB25,974,000 (2005: RMB16,751,000) and the 1,027,620,000 (2005: 1,027,620,000) ordinary shares in issue during the period.

Diluted earnings per share amount for the six months ended 30 June 2006 and 2005 have not been disclosed as no diluting events existed during these period.

The number of ordinary shares for both periods for the purpose of basic earnings per share has been adjusted for the bonus issue approved pursuant to the annual general meeting held on 30 May 2006.

7. Property, Plant and Equipment

	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 2006	5,746	1,877	15,824	14,749	1,194	39,039	78,429
Additions	—	—	753	714	503	28,882	30,852
Disposals	—	—	(33)	(122)	—	—	(155)
At 30 June 2006	5,746	1,877	16,544	15,341	1,697	67,921	109,126
Accumulated depreciation:							
At 1 January 2006	1,034	1,758	5,970	8,918	635	—	18,315
Provided during the period	192	49	730	1,079	90	—	2,140
Disposals	—	—	(17)	(75)	—	—	(92)
At 30 June 2006	1,226	1,807	6,683	9,922	725	—	20,363
Net book value:							
As at 30 June 2006	4,520	70	9,861	5,419	972	67,921	88,763
As at 31 December 2005	4,712	119	9,854	5,831	559	39,039	60,114

8. Trade Receivables

The Group'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 90 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group 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 2006 RMB'000	31 December 2005 RMB'000
0 to 90 days	33,052	22,299
91 to 180 days	1,986	1,598
181 to 365 days	1,921	1,218
Over 1 year	2,489	3,186
	39,448	28,301
Less: Provision for doubtful debts	(3,176)	(3,176)
	36,272	25,125

9. Prepayments, Deposits and Other Receivables

	30 June 2006 RMB'000	31 December 2005 RMB'000
Prepayments	4,293	2,440
Deposits and other receivables	2,705	3,766
Current portion of land lease prepayment	126	126
	7,124	6,332

10

10. Cash and Cash Equivalents

	30 June 2006 RMB'000	31 December 2005 RMB'000
Cash and bank balances	52,935	71,307
Time deposits	150,000	130,000
	202,935	201,307

11. Trade Payables

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

	30 June 2006 RMB'000	31 December 2005 RMB'000
0 to 90 days	35,667	25,438
91 to 180 days	3,775	1,295
181 to 365 days	301	90
Over 1 year	773	872
	40,516	27,695

12. Other Payables and Accruals

	30 June 2006 RMB'000	31 December 2005 RMB'000
Other payables	14,744	17,749
Accruals	1,818	1,568
	16,562	19,317

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2006, the Group reported an unaudited revenue of RMB125,197,000 (2005: RMB100,838,000), representing a growth of 24% as compared with the same period of last year, which was mainly due to strong demand and favourable market conditions for the group's products.

For the six months ended 30 June 2006, the Group recorded an unaudited net profit of RMB25,974,000 (2005: RMB16,751,000), represented a growth of 55% as compared with the same period of last year. The gross profit margin was 37% as compared to 38% with the same period of last year. The gross profit margin was relatively stable.

The research and development costs was approximately RMB6.6 million (2005: RMB8 million) which was included in other operating expenses.

The profit attributable to equity holders of the Company was increased by approximately RMB9.2 million or about 55%, it was mainly because of an improvement in the market conditions as well as implementation of effective measures over cost control.

Liquidity, Financial Resources and Gearing ratio

As at 30 June 2006, the Group had shareholders' funds/net assets of approximately RMB318 million. It mainly comprised bank balances which amounted to approximately RMB203 million, inventories of approximately RMB39 million and trade and bills receivables amounted to approximately RMB40 million. The Group did not have any long-term liabilities. Current liabilities of the Group mainly comprised bills payable and trade and other payables of approximately RMB65 million. Net assets value per share of the Group was approximately RMB0.31.

As at 30 June 2006, the gearing ratio of the Group is about 17% (2005: 15%). It is defined as the Group's total liabilities over the total assets.

Capital Structure

The registered share capital of the Company was increased from RMB46,710,000 to RMB102,762,000 by way of capitalization issue of RMB56,052,000 in share premium account and issue an aggregate of 560,520,000 new shares of RMB0.10 each. The capitalization issue was approved at the Company's annual general meeting held on

12

30 May 2006. The Group relies on internal resources and the net proceeds from the Placing as a source of funding. The Group keeps most of its cash in Renminbi in bank accounts as working capital.

Employee Information

As at 30 June 2006, the Group had 905 (30 June 2005: 880) full time employees and the total remuneration for the period was approximately RMB9.4 million (30 June 2005: RMB7.4 million). The increase in employees was due to the expansion of the research and development team. The Group remunerates its employees based on performance, experience and prevailing industry practices. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

Contingent Liabilities

As at 30 June 2006, the Group did not have any contingent liabilities.

Charges on assets

During the period under review, no assets of the Group were pledged.

Exchange Rate Exposure

All of the Group'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 Group 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 Group continued to engage in the research, development, manufacture and distribution of EIP products in the PRC. The Group has worked unswervingly to promote and encourage the application of EIP (Embedded Intelligent Platform) products enabling different industries to benefit from the development of information technology and automation with an aim to improve the quality of living standard. The Group offers over 280 EIP products and industrial specific solution 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. EIP products manufactured and distributed by the Group are widely applied in areas of tele-communication, industrial, military, video frequency control, transportation, internet, commerce and finance, etc.

Economic globalization and integration through the adjustment of global IT industrial create a better environment and good prospect for the development of EIP products. With the promulgation by the PRC government and continuous demand for the modernization of IT technology in various enterprise, especially the "Eleventh Five-Year Plan" which "encouraging a culture of innovation", IT and related industries should emerging to digital, network and intelligence which in turn accelerate EIP market in PRC with steady growth. Among various industries, commerce and finance, telecommunication and network were still the leaders in the usage of EIP products. At the same time, the application of EIP products in some traditional and specialized industries were increasing and it provides a potential market to the Group. The development for electronic tax control and information technology of tax collection in PRC create a huge market for tax control electronic cash registers (ETAX), the industry for ETAX will standardize with healthy growth. The Group has already commenced the investment in ETAX and obtained the "Certificate for quality enterprise" and "License for production of tax control equipment" by relevant PRC government authorities and introduce a series of ETAX products to the market. For the period under review, the Group has already set up testing point and commencing the bidding process in different provinces in PRC.

The group had continued focusing on new products' research and development such as:

- (i) reliable EIP for specific industry applications (高可靠行業應用 EIP 整機)
- (ii) low energy consumption single board EIP (低功耗雙核單板 EIP)
- (iii) high performance flat computer (高性能平板電腦) and
- (iv) continuous developing COMPATPIC processor platform (高端雙處理器 COMPATPIC 平台高端雙處理器).

Product Categories

The following table provides an analysis of the Group's turnover by products categories:

	Turnover Six months ended 30 June			
	2006 (unaudited)		2005 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	67,994	54.3	55,649	55.2
Chassis-type EIP	54,023	43.2	42,434	42.1
Remote data modules	3,180	2.5	2,755	2.7
	125,197	100	100,838	100

Sales and Marketing

During the period under review, the Group strengthens the marketing integration, expanding the scale of marketing team and increasing its overall quality. The North and East China area are the key marketing region of the Group in 2006, the Group will focus in large traditional industries such as telecommunications, transportation and electricity.

The Group will position itself to maintain market share in EIP products and increase efforts in upgrading of popular products. The Group will strengthen its marketing research in key areas and key industries. The Group will also assign designate staffs and set up specific departments to perform the follow-up and analysis of key customers, markets and products and launching specific sales strategy to specific industries and products. The Group will provide necessary training and support for sales agents in order to increase their sales volume.

In line with the sales and marketing activities started in the past, the Group has launched a series of large scale marketing promotion and advertising campaign including "2006 EIP Technology Seminar" (二零零六年 EIP 技術交流會), "Small and medium-sized enterprise Developmental strategy Sharon" (中小企業發展戰略沙龍) and "Intel Embedded and Telecommunication Solution Seminar" (英特爾嵌入式及通信解決方案日研討會) (the Group participates on invitation and

conducting products and industrial specific solution demonstration). In the second half of 2006, the Group already placed advertisements on 10 mainstream media, 30 professional media as well as 2 business related media, further increasing its influence in EIP market.

The Group participate in the following exhibitions in the second quarter of 2006:

1. 2006 Seventh Southwest area Automation and Instrument Measuring Appliance International Exhibition (2006(第七屆)西南地區自動化及儀器儀錶國際展覽會).
2. 2006 China (Guizhou) International Industrial Automation and Instrument Measuring Appliance Exhibition (2006中國(貴州)國際工業自動化及儀器儀錶展覽會).
3. 2006 China Defense Science and Technology Industry Manufacture Technical Equipment Purchase Fair (2006 中國國防科技工業製造技術裝備採購會).
4. 2006 Hubei International Electric Power Electrician New Technology and New Product Exhibition (2006 湖北國際電力電工新技術新產品展覽會).
5. 2006 Second West China (Lanzhou) International Public Security and Fire Product Exhibition (2006 年第二屆中國西部(蘭州)國際社會公共安全及消防產品博覽會).
6. 2006 Eighth China Highway Information Management and Technical Seminar and Product Technology Demonstration Fair (2006 第八屆中國高速公路資訊化管理及技術研討會暨產品技術展示會).
7. CIPSIE2006 Fifth China International Power Source Industry Exhibition (CIPSIE2006 第五屆中國國際電源產業展覽會).

The Group will stick to its marketing strategy and sales model which are based on direct sales and supplemented by sales agents.

On 29th December 2005, the construction of EVOC Technology Building (研祥科技大廈) invested by the Group topped out successfully. The construction of EVOC Technology is entering the final stage and the timely completion of EVOC Technology Building will significantly promote the Group's brand name and its image.

Prospects

The Group believes that embedded systems evolve from the rapid development of computer and information technology. It is flexibly used in various industries with customer-made functions, flexible size and multi-task processing and has vast market potential and room for development. At the post-PC period, EIP technology will be the hot spot. China is the biggest market of electronic and IT products in the world, the technology and product of EIP changes rapidly. The EIP market presents rapid growing tendency especially in the area of electronic, telecommunication, transportation, finance, network, monitoring and automation. The usage of EIP products was widely applied in different areas. EIP technology and products has huge potential and demand in China.

With increasing application of EIP products, the Group will continue to make substantial investment in research and development and will launch a series of new products with new functions to meet the demand of the market. The Group will focus in key projects especially in the application of tax control electronic cash registers (ETAX) and participate in large-scale bidding.

The year 2006 was named as the “Year for Foundation Construction (骨幹建設年)”, the Group will endeavor to improve its core management and continue to invest in research and development. The Group will place emphasis in attracting talented staffs and reinforce its team of research and development for future growth. The Group has revised the enterprise values through seeking opinions from all staffs in order to match the growth of the Group and to motivate the staff's working enthusiasm, create higher economic efficiency.

The Group will also increase efforts in brand building and corporate image. The construction of “EVOC Technology Building” and “China Industrial Control Museum” (中國工控博物館) will be completed as scheduled. “EVOC Technology Building” will be another milestone of the Group. Upon the completion of its construction, “EVOC Technology Building” will benefit the Group by increasing its overall efficiency, strengthening its research and development capabilities in EIP products and increasing its corporate image and asset base. The establishment of “China Industrial Control Museum” will also benefit the Group by increasing the popularity of EVOC products, social influence and overall corporate image.

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

As at 30 June 2006, 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	700,529,940 (Note 1)	Domestic Shares	90.90%	68.17%
Zhou Hong (周紅)	Beneficial owner	44,000	H Shares	0.02%	0.004%
Supervisor					
Zhou Cheng Yan (周臣岩)	Interest of a controlled corporation	3,853,300 (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.
- 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 2006, 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	700,529,940	Domestic Shares	90.90%	68.17%
Chen Zhi Lie (陳志列) (Note)	Interest of a controlled corporation	700,529,940	Domestic Shares	90.90%	68.17%
Shenzhen Haoxuntong Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	38,533,000	Domestic Shares	5.00%	3.75%

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 2006; 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 2006, 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 2006, 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 Group or any other conflicts of interest which any such person may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMMITMENTS

As at 30 June 2006, the Group had a contracted but not provided for commitments amounting to approximately RMB54,787,000 (31 December 2005: RMB61,486,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

For the six month ended 30 June 2006, the Company has complied with the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

During the six months ended 30 June 2006, the Company has 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 2006.

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 include:

- (1) to provide an important link between the Board and the auditors in matters coming within the scope of the audit; and
- (2) to review and provide supervision over the financial reporting process, the effectiveness of the external audit and of internal control and risk evaluation.

The audit committee comprises Ms. Zhou Hong (Chairperson), Mr. Wen Bing and Mr. Wang Tian Xiang, who are the independent non-executive directors of the Company.

The Group's unaudited interim results for the six months ended 30 June 2006 has been reviewed by the committee. The committee is of the opinion that the preparation of such results complied with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

By order of the Board

Shenzhen EVOC Intelligent Technology Company Limited*

Chen Zhi Lie

Chairman

Shenzhen, PRC, 10 August 2006

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 purpose only*