

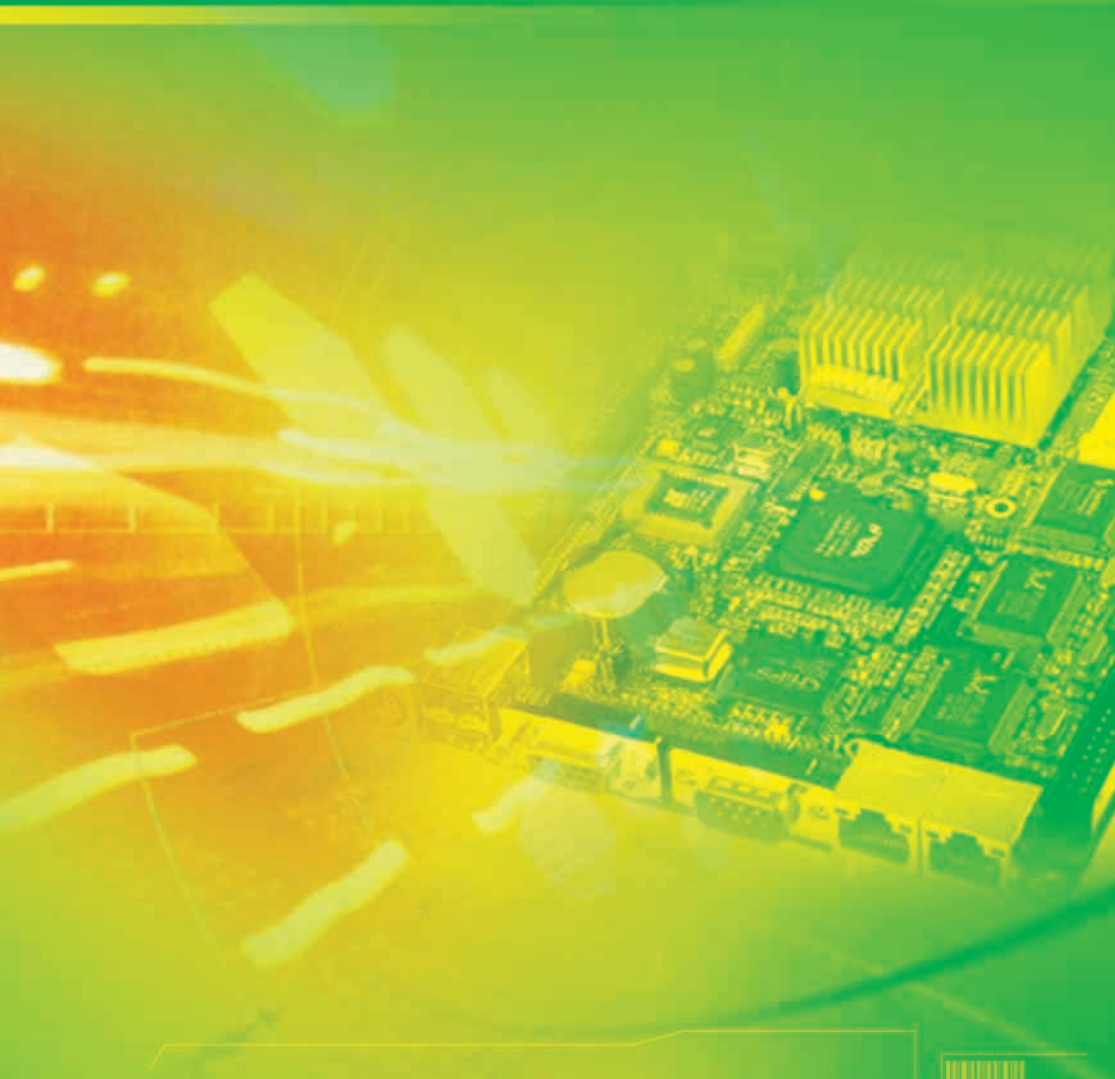


深圳市研祥智能科技股份有限公司

Shenzhen EVOC Intelligent Technology Company Limited*

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

Stock code : 8285



2006

Third Quarterly Report

* for identification purpose only

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 nine months ended 30 September 2006 was approximately RMB197 million (2005: RMB161 million), representing an increase of approximately 22% as compared to the same period of last year.

The profit attributable to equity holders of the Company for the nine months ended 30 September 2006 amounted to approximately RMB55.6 million (2005: RMB30.2 million), representing an increase of approximately 84% as compared to the same period of last year.

Earnings per share was approximately RMBO.054 (2005: RMBO.029) for the nine months ended 30 September 2006.

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

UNAUDITED RESULTS

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 (Unaudited) RMB'000	2005 (Unaudited) (Restated) RMB'000	2006 (Unaudited) RMB'000	2005 (Unaudited) (Restated) RMB'000
Revenue	3	71,762	60,513	196,959	161,351
Cost of sales		(34,938)	(35,306)	(113,852)	(98,269)
Gross profit		36,824	25,207	83,107	63,082
Other income		4,959	1,521	8,718	5,812
Selling and distribution costs		(5,885)	(5,140)	(16,466)	(15,892)
Administrative expenses		(2,194)	(2,160)	(6,934)	(7,251)
Other operating expenses		(3,297)	(4,648)	(9,917)	(12,676)
Finance costs		(14)	(66)	(70)	(193)
Profit before tax		30,393	14,714	58,438	32,882
Tax	4	(791)	(1,235)	(2,862)	(2,652)
Profit attributable to equity holders of the Company		29,602	13,479	55,576	30,230
Dividend	5	—	—	—	—
Earnings per share attributable to ordinary equity holders of the Company — Basic	6	RMBO.029	RMBO.013	RMBO.054	RMBO.029

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 Intelligence Platform ("EIP") products in Mainland China.

2. Basis of preparation

The unaudited quarterly 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 apply 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 profits for the period.

5. Dividends

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

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

The calculation of basic earnings per share for the nine months ended 30 September 2006 is based on the unaudited profit attributable to shareholders of approximately RMB55,576,000 (2005: RMB30,230,000) 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 nine months ended 30 September 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. 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	—	—	—	55,576	—	55,576
At 30 September 2006	102,762	29,138	32,052	183,307	—	347,259

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2006, the Group reported an unaudited revenue of RMB196,959,000 (2005: RMB161,351,000), representing an increase of 22% as compared with the same period of last year, which was mainly due to continuous strong demand and favorable market conditions and improvement in gross profit margin for the Group's product.

For the nine months ended 30 September 2006, the Group recorded an unaudited net profit of RMB55,576,000 (2005: RMB30,230,000), represented an increase of 84% as compared with the same period of last year. The gross profit margin was 42% as compared to 39% of the same period of last year. The profit attributable to equity holders of the Company was increased by RMB25 million or about 84%. The Group maintained a dominate position in EIP market in the areas of market strategy, research and development as well as cost control which benefit to sustainable growth in the operating result.

Liquidity, Financial Resources and Gearing ratio

As at 30 September 2006, the Group had shareholders' funds/net assets of approximately RMB347 million. It mainly comprised bank balances which amounted to approximately RMB183 million, inventories of approximately RMB41 million and trade and bills receivables amounted to approximately RMB45 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 RMB58 million. Net assets value per share of the Group is approximately RMB0.34.

As at 30 September 2006, the gearing ratio of the Group is about 14% (2005: 16%). It is defined as the Group's total liabilities over the total assets.

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 290 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 telecommunication, industrial, military, video frequency control, transportation, internet, commerce and finance, etc.

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

- (i) EIP products with low energy consumption and without fans (低功耗無風扇EIP整機);
- (ii) Newest EIP Core 2 Duo processors platform (最新雙核處理器EIP平台)
- (iii) Portable reinforce computer (便攜式加固計算機)
- (iv) COMPATPIC processor platform (高端雙處理器COMPATPIC平台)

The Group is one of the earliest suppliers of EIP products in the PRC and has already established a solid foundation over the past 10 years and become the largest EIP technology suppliers and manufacturers and maintained a leading position in the PRC. The Group has to face with intense competition from domestic and international EIP product manufacturers and has achieved a dominant position in the areas of research and development, distribution network and cost control and is the only EIP manufacturers listed in Hong Kong which has large scale production and research and development base in the PRC.

In view of the EIP market development trends, the Group not only strengthen its investment in research and development of traditional industries, but also in specialized industries and specific products and achieving an encouraging progress in the market of tax control electronic cash registers (ETAX). During the period under review, the Group has developed 3 series and more than 10 types of ETAX products and obtained production certificates in 6 different kinds of products and making application for another 5 types of products. The ETAX products developed by the Group were widely used by all kind of customers. Moreover, testing points has already set up in some cities in PRC and the products can applied in the areas of wholesale and retailing, repairs and

maintenance, food and beverages as well as entertainment business and the response from users and customers is encouraging and appraisal documents has been obtained from relevant government authorities.

On 29th December 2005, the construction of "EVOC Technology Building" (研祥科技大廈) invested by the Group topped out successfully and it is anticipated to be completed on October, 2006. The building area is approximately 62,000 square meters, which will be used as the Group's headquarter with management, research and development function and the first "China Industrial Control Museum" (中國工控博物館) in the world will also established. In addition, "EVOC Central Research Institute" (研祥中央研究院) will situated inside the building and become the research and development base of the Group and it will provide a better environment and platform for all round information exchange and products innovation in EIP technology in the PRC.

Product Categories

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

	Turnover Nine months ended 30 September			
	2006 (unaudited)		2005 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	108,485	55.1	88,687	55.0
Chassis-type EIP	83,018	42.1	67,655	41.9
Remote data modules	5,456	2.8	5,009	3.1
	196,959	100	161,351	100

Sales and Marketing

During the period under review, the Group continue to strengthen the marketing integration. The Group will stick to its marketing strategy which is based on direct sales and supplemented by sales agents and at the same time enlarging the marketing efforts in key regions and industries. The North and East China area are still the key regions and with regard to industry distribution, the Group will focus in large traditional industries such as telecommunications, transportation and electricity. The Group will

place special emphasis in the market of the ETAX. In view of the market characteristics of ETAX products, the Group will adopt the general agent sales model and set up technical support center in key regions. At present, the Group has sales agents and support facilities in more than 16 cities and before-sales training is launch with an aim to enhance the ability and techniques in product promotion.

The Group's marketing positioning remained stable during the reporting period. The Group maintaining its market share and at the same time enlarge the development of mainstream products. In regard of marketing strategy, the Group will conducting research in key regions and industries and assign responsible staff to set up specific departments for the follow-up and analysis of the customers, market and products, especially for those key projects. The Group will provide necessary training and support for sales agents in order to increase their abilities.

During the period, the Group continues to host "EIP Technology Exchange EXPO 2006" and "Intel City Embedded Technology Tour Seminar" sharing techniques and experience with users and business partners and strengthening EIP Technology Exchange Platform promulgated by the Group. The EIP products develop and launch by the Group and applied in traditional industries such as electricity, highway and coal mine was the center in the seminars and conferences and were widely recognized and appraised by the participants.

During the period under review, the Group has already published advertisements on 10 mainstream media, 30 professional media as well as 2 business media to strengthen the Group's influence in the market of EIP technology.

The Group also participated in the following exhibitions and fairs during the third quarter of 2006,

1. Second China International Modernisation Factory Automation and Process Control Technology Equipment EXPO (第二屆中國國際現代化工廠自動化與程序控制技術裝備展覽會);
2. 2006 Eighth China International Industry Automation and Meter EXPO (2006第八屆中國國際工控自動化及儀器儀錶展覽會);
3. 2006 Wuhan International Railway Construction EXPO (2006武漢國際鐵路建設展);

OUTLOOK AND PROSPECTS

Given the increasing demand in cost saving, unification and high efficiency products in the electronic industry, there is a trend that the EIP market will grow rapidly. With the increasing demand as a result of strong economic growth in the PRC, the EIP market will experience rapid development during this year. The strong development trend has in line with the global digitization revolution initiator — Nicholas Negroponte's prediction: "the embedded software and system application are the greatest invention in the post-PC and the Internet period."

The PRC government has fully realized the vital role in the embedded system development process and given support in the area of policy formation and financing. The development of EIP technology in PRC has outgrow the development in electronic industry as well as its counterparts in the world and its importance in both areas is increasing.

In order to cope with the rapid development and strength its competitiveness in EIP industry, the core value of the Group is "culture of innovation" (自主創新), the Group will place special emphasis in the research and development of new products as well as transformation of existing products to increase its overall performance. 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 function and continue to invest in research and development. The Group will concentrate in attracting talented staffs and reinforce its research and development team for future growth.

The Group will continue to increase efforts in sales and marketing and increase the popularity of its brand name "EVOC" by effective methods. At the same time, the establishment of "China Industrial Control Museum" and "EVOC Central Research Institute" inside "EVOC Technology Building" is speed up and it will further emphasizing the popularity of "EVOC" products and the Group's overall corporate image.

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

As at 30 September 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)	700,529,940 <i>(Note 1)</i>	Domestic Shares	90.90%	68.17%
Zhou Hong (周紅)	44,000	H Shares	0.02%	0.004%
Supervisor				
Zhou Cheng Yan (周臣岩)	3,853,300 <i>(Note 2)</i>	Domestic Shares	0.50%	0.37%

Notes:

1. 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 September 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%
Xiao Keng (肖鏗)	Beneficial owner	14,752,800	H Shares	5.74%	1.44%

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 September 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 September 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 September 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 September 2006, the Group had a contracted but not provided for commitments amounting to approximately RMB43,347,000 (2005: RMB49,187,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

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

During the nine months ended 30 September 2006, 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 nine months ended 30 September 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 quarterly results for the nine months ended 30 September 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 November 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