

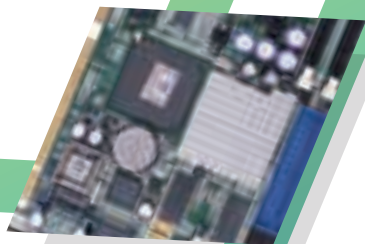


深圳市研祥智能科技股份有限公司

Shenzhen EVOC Intelligent Technology Company Limited*

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

Stock Code: 8285



2007
First 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 turnover of the Group for the three months ended 31 March 2007 was approximately RMB68 million (2006: RMB56 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 three months ended 31 March 2007 amounted to approximately RMB11.8 million (2006: RMB8 million), representing an increase of approximately 47% as compared to the same period of last year.

Earnings per share was approximately RMB0.011 (2006: RMB0.008) for the three months ended 31 March 2007.

The board of directors (the "Board") are pleased to present the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the three months ended 31 March 2007, together with the comparative unaudited results for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

Three months ended 31 March			
	Notes	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Restated)
Turnover	3	68,051	55,611
Cost of sales		(42,012)	(36,129)
Gross profit		26,039	19,482
Other income		1,515	2,088
Selling and distribution costs		(6,500)	(5,027)
Administrative expenses		(2,570)	(2,226)
Other operating expenses		(5,894)	(5,645)
Finance costs		(22)	(41)
Profit before taxation		12,568	8,631
Taxation	4	(814)	(640)
Profit attributable to equity holders of the Company		11,754	7,991
Dividend	5	—	—
Earnings per share — Basic	6	RMB0.011	RMB0.008

Notes:

1. CORPORATE INFORMATION

Shenzhen EVOOC Intelligent Technology Company Limited is a joint stock limited company incorporated in the People's Republic of China (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 all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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. They also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 2006. 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. TURNOVER

The Group's turnover represents the net invoiced value of goods sold net of value-added tax and after allowances for returns and discounts.

4. TAXATION

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 obtained approval in 2004 for a 50% exemption from income tax for three more years. The exemption ceased on 31 December 2006. Accordingly, the Company was entitled to a 50% exemption from corporate income tax for the years ended 31 December 2005 and 2006. Thereafter, the Company is subject to a corporate income tax rate of 15%.

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 subsidiaries of the Group are located in various cities in PRC and subject to different corporate income tax rate on their assessable profits for the period.

5. DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2007.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2007 is based on the net profit attributable to ordinary equity holders of the Company for the period of approximately RMB1 1,754,000 (2006 : RMB7,991,000) and the 1,027,620,000 (2006 : 1,027,620,000) ordinary shares in issue during the period.

The number of ordinary shares in issue is determined as if the capitalisation issue on 30 May 2006 had taken place on 1 January 2006.

Diluted earnings per share amounts for the three months ended 31 March 2006 and 2007 have not been disclosed as no diluting events existed during these periods.

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Attributable to equity shareholders of the Company RMB'000
At 1 January 2007	102,762	29,138	40,250	201,509	373,659
Net profit for the period	—	—	—	11,754	11,754
At 31 March 2007	102,762	29,138	40,250	213,263	385,413

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Attributable to equity shareholders of the Company RMB'000
At 1 January 2006	46,710	85,190	32,052	127,731	291,683
Net profit for the period	—	—	—	7,991	7,991
At 31 March 2006	46,710	85,190	32,052	135,722	299,674

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2007, the Group reported an unaudited turnover of RMB68,051,000 (2006: RMB55,611,000), representing a growth of 22% as compared with the same period of last year which was mainly due to continuous strong demand for the Group's products.

For the three months ended 31 March 2007, the Group recorded an unaudited net profit of RMB11,754,000 (2006: RMB7,991,000), represented a growth of 47% as compared with the same period of last year. The gross profit margin was 38% (2006: 35%). The growth of net profit was mainly due to the increase in turnover as a result of favorable market conditions and improvement in the quality of customers. During the period, the Group has implemented effective measures to control direct cost and expenses.

Liquidity, Financial Resources and Gearing ratio

As at 31 March 2007, the Group had shareholders' funds/net assets of approximately RMB385 million. It mainly comprised bank balances of approximately RMB169 million, inventories of approximately RMB44 million and trade and bills receivables of approximately RMB60 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 RMB61 million. Net assets value per share of the Group was approximately RMB0.38.

As at 31 March 2007, the gearing ratio of the Group is 14% (2006: 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 (Embedded Intelligent Platform) products in the PRC. The Group has worked unwaveringly to promote and encourage the application of EIP products, enabling different industries to benefit from the development of information technology and automation with an aim to improve the qualities of human lives. The Group offers over 300 types of EIP products and a number of industry-specific solutions to different industries which can be broadly classified by their distinctive functions 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 Group are widely applied in areas of telecommunication, industrial, military, video frequency control, transportation, Internet, commerce and finance, etc.

With the application of EIP products become more comprehensive and the tradition industries is calling for more sophisticated products, usage in different areas will emerge. Accordingly, the Group will further enhance the development and promotion effort in EIP products. The Group has establish EIP Product Development Department according to our existing product categories with an aim to concentrate the management in the areas of design and development, production and sales and services.

During the period under review, the Group had focus on the research and development of the following new products:

- (i) Chang Zheng I Series Computer Products (長征1號系列整機產品)
- (ii) Chang Cheng Series Internet Security Platform Products (長城系列網路安全平臺產品)
- (iii) Lower power consumption, Highly reliable PC/I04 Products (低功耗高性能PC/I04產品)
- (iv) Multi Ports Servers (多串口伺服器)

Product Categories

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

	Turnover			
	Three months ended 31 March			
	2007 (unaudited)		2006 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	34,808	51.2	28,035	50.4
Chassis-type EIP	31,324	46.0	26,036	46.8
Remote data modules	1,919	2.8	1,540	2.8
	68,051	100	55,611	100

Marketing and Branding

The Group has relocated to "EVOC Technology Building" in the first quarter of 2007 and the corporate image and brand awareness has been strengthened. The Group has placed advertisements in professional media and held a number of promotional activities such as exhibitions, technology exchange seminars, industry-specific application forums, summit forums and customers welfare events to further expand its influence and market leadership in EIP industries.

The Group has already placed advertisements in more than 50 professional media and over 20 websites in the Internet and participated in the following exhibitions and fairs:

1. Eleventh Tianjin International Industry Automation and Equipment Fair (第11屆天津國際工業自動化及儀器儀錶展覽會)
2. 2007 Jin Nuo Ninth China (Jinan) International Industry Automation and Equipment Fair (2007金諾第九屆中國(濟南)國際工控自動化及儀器儀錶展覽會)
3. 2007 Ninth International Industry Automation and Equipment Fair (2007第九屆中原國際工業控制自動化及儀器儀錶展覽會)
4. 2007 EVOC New Products Demonstration and Media Welfare Salon (2007年研祥新產品發佈暨媒體聯誼沙龍)

The Group will continue to stick to its marketing strategy which is based on direct sales and supplemented by sales agents in Mainland China. The Group not only has started to build up export sales teams and provide products to overseas in small quantities but also fully consolidated its marketing system according to its development plan.

Outlook and Prospects

According to the research report issued by CCID Consulting Company Limited, EIP market in PRC will remain steady with constant growth and it is expected that a Cumulative Average Growth Rate (CAGR) of 14% will be achieved from 2007 to 2011 and the application will be more widespread. As the popularity and application of EIP products is still in the development stage, the technology levels and standard of lives is continue to improve, EIP markets has much room for development and growth opportunities in the future. The Board believes that the demand of EIP products in 2007 will remain strong.

The Group, as one of the leading enterprise in the EIP industry in Mainland China, intends to maintain its core competitiveness and at the same time explore business opportunities in upstream products, such as R&D and sales of EIP peripheral products. The Group will also further increase its effort in exploring the overseas market, set up and fine tune its overseas market system and enlarging the proportion of sales in overseas market.

The Group understands that the critical success factor to increase its competitiveness is strength in technology advancement and after sales services. The establishment of EVOC Central Research Institute, an auxiliary organization set up inside EVOC Technology Building, has laid a solid foundation to attract R&D talents in EIP industry and further enhance the Group's capability in research and development.

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

As at 31 March 2007, 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					
Zhang Zheng An (張正安)	Interest of a controlled corporation	38,533,000 (Note 2)	Domestic Shares	5.00%	3.75%

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 Haoxuntong Industry Co. Ltd. which is owned as to 30% by Zhu Jun (朱軍), an executive Director; 30% by Pu Jing (濮靜), a Supervisor and 40% by Zhang Zheng An (張正安). By virtue of Zhang Zheng An (張正安) holding of more than one-third interest in Shenzhen Haoxuntong Industry Co. Ltd, Zhang Zheng An (張正安) is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) Long position — interests in associated corporations

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 31 March 2007, 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. (Note)	Registered and beneficial owner of the Domestic Shares	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 Zhi Lie 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 31 December 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 31 March 2007, 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 31 March 2007, 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 31 March 2007, the Group had a contracted but not provided for commitments amounting to approximately RMB14,701,000 (2006: RMB66,837,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

For the three months ended 31 March 2007, 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.

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 Company's auditors in matters coming within the scope of the company 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 three months ended 31 March 2007 have 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, the PRC, 9 May 2007

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*