



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

Intelligent Technology

E V O C

2007 Interim Report



* for identification purpose only

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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 revenue of the Group for the six months ended 30 June 2007 was approximately RMB155 million (2006: RMB125 million), representing an increase of approximately 24% as compared to the same period of last year.

The profit attributable to shareholders for the six months ended 30 June 2007 amounted to approximately RMB32 million (2006: RMB26 million), representing an increase of approximately 23% as compared to the same period of last year.

Earnings per share of the Group was approximately RMB0.026 (2006: RMB0.021) for the six months ended 30 June 2007.

The Directors do not recommend the payment of dividend for the six months ended 30 June 2007 (2006: 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 2007, together with the comparative unaudited results for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	3	86,557	69,586	154,608	125,197
Cost of sales		(48,257)	(42,785)	(90,269)	(78,914)
Gross profit		38,300	26,801	64,339	46,283
Other income		2,558	1,671	4,073	3,759
Selling and distribution costs		(8,570)	(5,554)	(15,070)	(10,581)
Administrative expenses		(5,017)	(2,514)	(7,587)	(4,740)
Other operating expenses		(5,840)	(975)	(11,735)	(6,620)
Finance costs		(21)	(15)	(43)	(56)
Profit before tax		21,410	19,414	33,977	28,045
Tax	4	(1,102)	(1,431)	(1,916)	(2,071)
Profit attributable to shareholders		20,308	17,983	32,061	25,974
Dividend	5	—	—	—	—
Earnings per share — Basic	6	RMB0.016	RMB0.015	RMB0.026	RMB0.021

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7	168,154	141,139
Land lease prepayments		5,702	5,764
Total non-current assets		173,856	146,903
CURRENT ASSETS			
Inventories		64,507	38,229
Trade receivables	8	55,309	33,110
Bills receivables		14,569	7,836
Prepayments, deposits and other receivables	9	18,087	11,368
Cash and cash equivalents	10	150,713	239,447
Total current assets		303,185	329,990
CURRENT LIABILITIES			
Trade payables	11	51,243	26,505
Bills payable		2,239	1,248
Tax payable		1,916	3,979
Other payables and accruals	12	15,923	21,505
Amount due to a minority shareholder		0	49,000
Total current liabilities		71,321	102,237
NET CURRENT ASSETS		231,864	227,753
Net assets		405,720	374,656
EQUITY			
Share Capital		123,314	102,762
Reserves		282,406	270,897
Equity attributable to equity holders of the Company		405,720	373,659
Minority interests		0	997
Total equity		405,720	374,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	46,710	85,190	32,052	127,731	120	291,803
Capitalisation issue	56,052	(56,052)	—	—	—	—
Acquisition of interest in a subsidiary	—	—	—	—	(120)	(120)
Capital contribution by a minority shareholder	—	—	—	—	1,000	1,000
Net profit/(loss) for the year	—	—	—	81,976	(3)	81,973
Transfer from/(to) reserves	—	—	8,198	(8,198)	—	—
At 31 December 2006 and 1 January 2007	102,762	29,138	40,250	201,509	997	374,656
Acquisition of interest in a subsidiary	—	—	—	—	(997)	(997)
Capitalisation issue	20,552	(20,552)	—	—	—	—
Net profit for the period	—	—	—	32,061	—	32,061
At 30 June 2007	123,314	8,586	40,250	233,570	—	405,720

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(4,024)	23,261
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(35,710)	(21,633)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(49,000)	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(88,734)	1,628
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	239,447	201,307
CASH AND CASH EQUIVALENTS AT END OF PERIOD	150,713	202,935

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 10B, Tianxiang Building, Tian An Cyber Park, Chegongmiao, Shenzhen, the PRC. The Company has hold Extraordinary General Meeting and approved by the Shareholders that the registered office of the Company in the PRC will be changed to EVOC Technology Building, No. 31 Gaoxinhongsi Road, Nanshan District, Shenzhen, PRC. The Company is processing the change registration procedure to the corresponding authority.

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 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 Chapter 18 of the Rules Governing the Listing of Securities on the 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 statements for the year ended 31 December 2006. They have been prepared under the historical cost convention. They 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 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 year ended 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.

5. DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2007 (2006: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to shareholders of approximately RMB32,061,000 (2006: RMB25,974,000) and the 1,233,144,000 (2006: 1,233,144,000) ordinary shares in issue during the period.

Diluted earnings per share amount for the six months ended 30 June 2007 and 2006 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 2007.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2007	5,746	1,923	16,793	16,366	2,337	120,392	163,557
Additions	—	75	7,352	4,393	—	17,579	29,399
Disposals	—	—	—	(798)	—	—	(798)
At 30 June 2007	5,746	1,998	24,145	19,961	2,337	137,971	192,158
Accumulated depreciation:							
At 1 January 2007	1,293	1,852	7,430	10,930	913	—	22,418
Provided during the period	129	61	757	893	190	—	2,030
Disposals	—	—	—	(444)	—	—	(444)
At 30 June 2007	1,422	1,913	8,187	11,379	1,103	—	24,004
Net book value:							
As at 30 June 2007 (unaudited)	4,324	85	15,958	8,582	1,234	137,971	168,154
As at 31 December 2006 (audited)	4,453	71	9,363	5,436	1,424	120,392	141,139

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 reviewed 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 2007 <i>(Unaudited)</i> RMB'000	31 December 2006 <i>(Audited)</i> RMB'000
0 to 90 days	46,302	27,961
91 to 180 days	6,970	1,986
181 to 365 days	2,509	2,601
Over 1 year	1,456	2,490
	57,237	35,038
Less: Provision for doubtful debts	(1,928)	(1,928)
	55,309	33,110

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2007 <i>(Unaudited)</i> RMB'000	31 December 2006 <i>(Audited)</i> RMB'000
Prepayments	13,161	7,870
Deposits and other receivables	4,800	3,373
Current portion of land lease prepayment	126	125
	18,087	11,368

10. CASH AND CASH EQUIVALENTS

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Cash and bank balances	68,626	127,820
Pledged bank balances	12,087	11,627
Time deposits	70,000	100,000
	150,713	239,447

The bank balances of RMB12,087,000 were pledged to a bank for issuance of bank guarantees to certain subcontractors of the Company.

11. TRADE PAYABLES

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

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
0 to 90 days	47,680	24,041
91 to 180 days	1,893	1,328
181 to 365 days	344	583
Over 1 year	1,326	553
	51,243	26,505

12. OTHER PAYABLES AND ACCRUALS

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Other payables	15,355	16,740
Other taxes payables	(951)	3,624
Accruals	1,519	1,141
	15,923	21,505

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2007, the Group reported an unaudited turnover of RMB154,608,000 (2006: RMB125,197,000), 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 2007, the Group recorded an unaudited net profit of RMB32,061,000 (2006: RMB25,974,000), represented a growth of 23% as compared with the same period of last year. The gross profit margin was 42% as compared to 37% of the same period of last year.

The research and development costs was approximately RMB11.6 million (2006: RMB6.6 million) which was included in other operating expenses.

The profit attributable to shareholders was increased by approximately RMB6 million or about 23%, 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 2007, the Group had shareholders' funds/net assets of approximately RMB406 million. It mainly comprised bank balances which amounted to approximately RMB151 million, inventories of approximately RMB65 million and trade and bills receivables amounted to approximately RMB70 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 RMB69 million. Net assets value per share of the Group was approximately RMB0.33.

As at 30 June 2007, the gearing ratio of the Group is about 15% (31 December 2006: 21%). 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 RMB102,762,000 to RMB123,314,400 by way of capitalization issue of RMB20,552,400 in share premium account and issue an aggregate of 205,524,000 new shares of RMB0.10 each. The capitalization issue was approved at the Company's annual general meeting held on 30 May 2007. 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 2007, the Company had 1,479 (30 June 2006: 905) full time employees and the total remuneration for the period was approximately RMB15.6 million (30 June 2006: RMB9.4 million). The increase in employees was due to the expanding 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 2007, 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

For the period ended 30 June 2007, the Group was not exposed to any significant foreign exchange risk as majority of the Group's main operations are in the PRC and has no significant exposure to any specific foreign currency. Therefore, no hedging or other alternatives have been implemented.

Business 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 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.

During the period under review, EIP industry recorded continuous growth in its scale. It is a newly emerged industry and economically growing point in China's information industry. EIP industrial development has abruptly changed from "Made in China" to "Invented in China". EIP application has already extended from industrial usage, information and internet to digital multimedia-related consumption areas (數字多媒體相關的消費領域). Besides, its application in specialized industries like medical and rehabilitation, finance, astronautics and aviation had also provided EIP products with more and more development opportunities. The Group had been vigorously tapping markets in specialized fields. At present, we have already been an object for purchasing and inviting tenders in a number of large-scale projects in finance, railways and tobacco industries. These have laid a good foundation for our future development.

The Group continued to enlarge the construction and scale of the investigation and development team. We set up a regional investigation and development centre in the city of Xian, which is a region relatively weak in development. To complement the construction, the Group set up and improved the establishment of the project management centre, reinforcing the management of the development project processes. The new products which we specializes in developing includes:

1. Chang Zheng I Series Computer Products;
2. Internet Security Platform Products;
3. CompactPCI platform;
4. Embedded single board computer platform.

Product Categories

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

	Turnover			
	Six months ended 30 June			
	2007 (unaudited)		2006 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	82,997	53.7	67,994	54.3
Chassis-type EIP	67,713	43.8	54,023	43.2
Remote data modules	3,898	2.5	3,180	2.5
	154,608	100	125,197	100

Sales and Marketing

During the period under review, the Group had been consolidating the sales and marketing team in accordance with the designated development plan, enlarging its scale and upgrading its quality. The Group focused on increasing the sales of medium-end and high-end mainstream brand of EIP products, which has contributed a steady growth in profitability to the Group. Besides, the Group is boosting the realisation of its globalized strategic aim in full swing, which includes extending its scale in outbound sales, improving its overseas marketing system and increasing the strength of tapping into foreign markets.

On the basis of carrying on our past marketing campaign, in the second quarter of the year 2007, the Group has successfully held the "2007 EIP Technology Exchange Seminar", which is a large-scale marketing and publication campaign, in 8 major cities in China. The seminar includes multiple themes such as "EIP technology establishes a modern China information security platform" (EIP 技術構築當代中國信息安全平臺), "EIP establishes an environment-friendly industry platform" (EIP 構築環保產業平臺), "EIP technology wins in its automated control" (EIP 技術贏在自動化控制), "EIP helps the national car industry in establishing a safe city" (EIP 助力民族汽車工業、構築平安城市), "EIP technology boosts energy and automated industry revolution" (EIP 技術帶動能源、自動化工業變革), "EIP technology safeguards clean energy and establishes harmonious city" (EIP 技術保障清潔能源、構築和諧城市), "EIP technology serves the information industry and intelligent transportation system" (EIP 技術服務信息產業、智能交通系統). The Group has been advertising in 12 major media, 28 specialised mass media and 10 commercial media. This further increases our Company's influence and market appeal in EIP industry.

In the second quarter in 2007, the Group has joined the following exhibitions and fairs:

1. 2007 (The 5th) Chongqing International Automation, Instrument and Meter Exhibition (2007 (第五屆) 重慶國際自動化及儀器儀錶展覽會);
2. 2007 The 10th China (International) Traffic Safety Product and Intelligent Traffic Fair (2007 第十屆中國 (國際) 交通安全產品暨智能交通博覽會) (In the same period of time there is China Intelligent Traffic Development Forum) (中國智能交通發展論壇);
3. The Spring 2007 Intel Developer Forum (IDF);
4. The 2nd China National Defense Technology Industry Manufacturing Technology and Equipment Purchasing Forum (第二屆中國國防科技工業製造技術裝備採購洽談會);
5. The 9th Industrial Control, Instrument and Meter and Measurement Testing Zone (第九屆工業控制·儀器儀錶·計量測試專題區);
6. The 7th China Harbin International Industrial Automation, Instrument and Meter Exhibition (第七屆中國哈爾濱國際工業自動化及儀器儀錶展覽會).

The Group will continue to stick to its marketing strategy which is based on direct sales and supplemented by sales agents. During the period under review, we did not plan to set up new institutions.

After we moved our offices to EVOC Technology Building, our corporate image and brand name publicity has been elevated. EVOC Technology Building has gradually become a landmark establishment in its peripheral regions. Our Group will also quicken the pace of installing supplemental facilities and the China Industrial Control Museum (中國工控博物館)。

Prospects

As computer software and integrated circuit continues to develop, EIP products will continue to improve to be applied in areas like spaceflight, aviation, transport, network, electronics, communication, finance, intelligent appliances, intelligent architecture, instrument and meter, industrial automated control system, data control machine tools, palm-sized computers, various intelligent IC card, second generation identity card proofing system, public transport toll system and medical system. As the market grows larger, there will be more new opportunities for the Group.

The Group will follow the trend of development of EIP technology and continues to increase the strength of technology investigation and development. The Group will further enlarge the scale of EVOC Central Research Institute (研祥中央研究院) and establish the most sizable investigation and development team. At the same time, the Group will set up investigation and development team to streamline product line, focusing on achieving a breakthrough in tapping product line and developing various products, which will serve as a solid foundation for opening up overseas market.

We can foresee that as we complete the construction of main supplemental engineering of EVOC Technology Building and its China Industrial Control Museum (中國工控博物館), the Group's brand name publicity, company image and social influence will enter a new milestone. The Group will be enthusiastically opening up new modes of profit making, expanding the operation safely into EIP peripheral industry. At the same time, the Group will increase its strength in tapping overseas market comprehensively, establish and improve overseas sales and marketing system, and expanding the proportion of sales to overseas.

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

As at 30 June 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	840,635,928 (Note 1)	Domestic Shares	90.90%	68.17%
Zhou Hong (周紅)	Beneficial owner	52,800	H Shares	0.02%	0.004%
Supervisor					
Zhang Zheng An (張正安)	Interest of a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

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 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 Family	70% 4.5%
Wang Rong (王蓉)	Shenzhen Yanxiang Wangke Industry Co., Ltd.	Beneficial owner Family	4.5% 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 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		Percentage of the relevant class of shares	Percentage of total registered share capital
		shares	Class of Shares		
Shenzhen Yanxiang Wangke Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	840,635,928	Domestic Shares	90.90%	68.17%
Chen Zhi Lie (陳志列) (Note)	Interest of a controlled corporation	840,635,928	Domestic Shares	90.90%	68.17%
Shenzhen Haoxuntong Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	46,239,600	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 2007; 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 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 30 June 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 30 June 2007, the Group had a contracted but not provided for commitments amounting to approximately RMB21,778,000 (31 December 2006: RMB19,255,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

For the six month ended 30 June 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.

During the six months ended 30 June 2007, 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 2007.

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 2007 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, 9 August 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*