



研祥智能科技股份有限公司

EVOC Intelligent Technology Company Limited*

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

Stock Code : 8285



2007

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 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 2007 was approximately RMB309 million (2006: RMB197 million), representing an increase of approximately 57% 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 2007 amounted to approximately RMB76.0 million (2006: RMB55.6 million), representing an increase of approximately 37% as compared to the same period of last year.

Earnings per share was approximately RMB0.062 (2006 (Restated): RMB0.045) for the nine months ended 30 September 2007.

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Revenue	3	154,031	71,762	308,639	196,959
Cost of sales		(86,233)	(34,938)	(176,502)	(113,852)
Gross profit		67,798	36,824	132,137	83,107
Other income		7,699	4,959	11,772	8,718
Selling and distribution costs		(10,604)	(5,885)	(25,674)	(16,466)
Administrative expenses		(6,954)	(2,194)	(14,541)	(6,934)
Other operating expenses		(8,289)	(3,297)	(20,024)	(9,917)
Finance costs		(3,863)	(14)	(3,906)	(70)
Profit before tax		45,787	30,393	79,764	58,438
Tax	4	(1,879)	(791)	(3,795)	(2,862)
Profit attributable to equity holders of the Company		43,908	29,602	75,969	55,576
Dividend	5	—	—	—	—
Earnings per share attributable to ordinary equity holders of the Company — Basic	6	RMB0.036	RMB0.024	RMB0.062	RMB0.045

Notes:

I. CORPORATE INFORMATION

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 EVOC Technology Building, No.31 Gaoxinshongsi Avenue, Nanshan District, Shenzhen, The People's Republic of China.

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 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. 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. DIVIDENDS

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: 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 2007 is based on the unaudited profit attributable to shareholders of approximately RMB75,969,000 (2006: RMB55,576,000) and the 1,233,144,000 (2006 (Restated): 1,233,144,000) ordinary shares in issue during the period.

Diluted earnings per share amount for the nine months ended 30 September 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. 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)
Bonus share	20,552	(20,552)	—	—	—	—
Net profit for the period	—	—	—	75,969	—	75,969
At 30 September 2007	123,314	8,586	40,250	277,478	—	449,628

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2007, the Group reported an unaudited revenue of RMB308,639,000 (2006: RMB196,959,000), representing an increase of 57% as compared with the same period of last year, which was mainly due to continuous strong demand and favorable market conditions for the Group's product.

For the nine months ended 30 September 2007, the Group recorded an unaudited net profit of RMB75,969,000 (2006: RMB55,576,000), represented an increase of 37% as compared with the same period of last year. The gross profit margin was 43% as compared to 42% of the same period of last year. The profit attributable to equity holders of the Company was increased by RMB20 million or about 37%. 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 2007, the Group had shareholders' funds/net assets of approximately RMB449 million. It mainly comprised bank balances which amounted to approximately RMB442 million, inventories of approximately RMB76 million and trade and bills receivables amounted to approximately RMB80 million. The Group did not have any long-term liabilities. Current liabilities of the Group mainly comprised bills payable, bank short term loan and trade and other payables of approximately RMB380 million. Net assets value per share of the Group is approximately RMB0.36.

As at 30 September 2007, the gearing ratio of the Group is about 46% (2006: 14%). 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 and distribution of Embedded Intelligent Platform ("EIP") products in China, work unswervingly to encourage the application of EIP, and promote the adoption of information technology and development of automation in various industries in the PRC, with a view to improve and enhance the quality of people's lives. The Group offers over 300 types of EIP products and a number of industry-specific solutions for a variety of 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, among other, telecommunication, industrial, military, video frequency control, transportation, Internet, commerce and finance.

The scale of EIP industry grows steadily as a result of the continuous expansion of fields of application of EIP products. In particular, the transformation by adoption of information technology of traditional industries presents enormous market potentials for EIP products. During the period under review, by sustained increase of investment in focus industries so as to capture greater market share as well as the sale of EIP peripheral and accessory products, the Group has further enhanced its strength as a whole and profitability. The Group proposed to gain control of Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited by way of capital contribution in order to develop a services outsourcing base project and thereby opening up a new source of income.

The Group expanded the formation and size of its research and development (“R&D”) team and stepped up the establishment of its project management center. Upon setting up specialized R&D team for different product lines, the Group has laid down a solid foundation for important product lines ahead of other competitors in the industry. At the same time, the Group has capitalized on the respective calibers of different people in various places and commenced R&D on different product lines in Shenzhen, Beijing, Shanghai and Xi’an. Following are the major new products launched by the Group during the period:

1. Chang Zhen I Series Industrial Computer launched to the market in full force, which is applicable to the key equipments of railway, electricity and special applications;
2. A new generation of Dual Core Fan-less Low Power and Highly Reliable Platform, which is first of its kind in the whole world;
3. The entire Internet Security Platform Series commenced production, and the successful development of Himalayan Project, a UTM Platform based on a new generation of structure, jointly by the Company, Institute of Computer Science & Technology of Peking University and Intel Corporation of the USA;
4. Development of the PC/104 Series Products, which are applicable to, among others, aviation, aerospace and electric power industry;
5. Development of tablet computer, a new type of human-computer interaction product, which is applicable to, among others, securities and tobacco industries;
6. Successful development of “e” Key Recovery Function for Industrial Computer, which can ensure quick recovery of system in industrial applications; and
7. Development of a number of new Data Collection and Control Cards.

Product Categories

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

	Turnover			
	Nine months ended 30 September			
	2007 (unaudited)		2006 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	157,937	51.2	108,485	55.1
Chassis-type EIP	126,153	40.9	83,018	42.1
Remote data modules	7,451	2.4	5,456	2.8
Others	17,098	5.5	0	0
	308,639	100	196,959	100

Sales and Marketing

During the period under review, the Group, on the one hand, conducted comprehensive integration on its marketing system from the three aspects of industry, regions and products; on the other hand, it actively pursued effective implementation of its global strategies.

On the basis of the marketing and promotion efforts made by the Group in the past, the Group held a number of themed large scale marketing and promotion activities in more than nine major cities in the PRC, including "EIP Technology Perfects the Establishment of Winter Olympic," "EIP Technology Fully Enhances the Level of Automatic Production," "EIP Technology Accelerates the Industrial Intellectualization in Tianjin," "Embedded Technology Assists Beijing Mathematics Olympic," "The Application of Embedded Technology in Railway Transportation and Financial Systems," "The Application of Embedded Technology in Medical and Networking System," "The Application of Embedded Technology in Automatic Production," "The Construction and Development of Modern Cities and the Application of Embedded Technology." The Group has advertised in 19 specialized media and 12 commercial media in the third quarter of 2007.

The Group participated in the following expos in the third quarter of 2007:

1. Expo on Innovation and Research Achievements by Small and Medium Enterprises in China;
2. Northern China's Expo on Petroleum and Petrochemical, Energy-saving and Environmental-friendly Technology and Equipment;
3. 2007 The Ninth China Qingdao International Expo on Industrial Control Automation, Instruments and Meters; and
4. The Seventh China International Expo on Electric Equipments and Technology and The Second Summit Forum on Matching the Demand and Supply of Electric Equipments and Resources;

The Group shall continue to hold fast to its marketing strategies and mode of sale based on direct sales and supplemented by sales agents. During the period under review, there was no intention to establish any new institution.

OUTLOOK AND PROSPECTS

As it is currently experiencing a new course of development, the Group will adhere to the direction of EIP technology development, continue to increase the resources devoted to technological research and establish the largest research team in the industry. The Group will also actively explore new sources of income and gradually extend and enter into the peripheral industries of EIP. In the meantime, the Group will make every effort in developing overseas market, improving the overseas marketing systems and expanding the proportion of exported products.

In order to pursue of the strategic targets of energy saving, environment protection and industry advancement, the PRC government endeavors to encourage the development of the services outsourcing industry. The Group proposed to gain control of Jiang Nan Da Shi Jie Investment Development Company Limited by way of investment with a view to boost the development of services outsourcing industry in Wuxi and adjoining regions. Shall the service outsourcing base project proceeds smoothly, it will receive great support from the PRC government, which will results in bringing in substantial economic benefits as well as creating social influences for the Group.

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

As at 30 September 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:

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 30 September 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.	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 September 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 September 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 September 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 September 2007, the Group had a contracted but not provided for commitments amounting to approximately RMB18,348,000 (2006: RMB43,347,000) in respect of construction of EVOC Technology Building.

CORPORATE GOVERNANCE

For the nine month ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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
EVOC Intelligent Technology Company Limited*
Chen Zhi Lie
Chairman

Shenzhen, PRC, 5 November 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*