



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



2008

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 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 2008 was approximately RMB183 million (2007: RMB68 million), representing an increase of approximately 169% 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 2008 amounted to approximately RMB13.6 million (2007: RMB11.8 million), representing an increase of approximately 16% as compared to the same period of last year.

Earnings per share was approximately RMB0.011 (2007: RMB0.009) for the three months ended 31 March 2008.

The Directors do not recommend the payment of dividend for the three months ended 31 March 2008 (2007: Nil).

The board of directors (the "Directors") is pleased to present the unaudited consolidated results of the Group, for the three months ended 31 March 2008, together with the comparative unaudited results for the corresponding period in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	4	183,289	68,051
Cost of sales		(138,204)	(42,012)
Gross profit		45,085	26,039
Other income		9,984	1,515
Selling and distribution costs		(11,730)	(6,500)
Administrative expenses		(8,908)	(2,570)
Other operating expenses		(9,570)	(5,894)
Finance costs		(6,707)	(22)
Profit before taxation		18,154	12,568
Income tax	5	(4,554)	(814)
Profit attributable to equity holders of the Group		13,600	11,754
Attributable to:			
Equity holders of the Company		13,646	11,754
Minority interest		(46)	—
		13,600	11,754
Dividend	6	—	—
Earnings per share — Basic (RMB)	7	RMB0.011	(Restated) RMB0.009

Notes:

1. CORPORATE INFORMATION

EVOC Intelligent Technology Company Limited (the "Company") 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 Gaoxinhongsi Avenue, Nanshan District, Shenzhen, The People's Republic of China.

2. PRINCIPAL ACTIVITIES

During the period, the Company and its subsidiaries (the "Group") was principally engaged in the research, development, manufacture and distribution of Embedded Intelligence Platform ("EIP") products in Mainland China. EIP is a computer system built to allow users to adopt hardware and software applications to perform a dedicated function or a range of dedicated functions such as data processing, generating, interpreting and executing control signals, etc. and is embedded into a product, device or a larger system. EIP products manufactured and distributed by the Group are widely applied in areas of tele-communication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance, etc..

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly results of the Group has been prepared in accordance with all applicable 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, 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 2007. They have been prepared under the historical cost convention, as modified for the revaluation of leasehold buildings and investment properties.

The accounting policies adopted in preparing these first quarterly results are consistent with those used in the Group's annual audited consolidated financial statements for the year ended 31 December 2007.

4. TURNOVER

Turnovers, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

5. INCOME TAX

Company:

Under the Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") was adopted at the National People's Congress on 16 March 2007 and effective as of 1 January 2008. In accordance with the new law, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprise and foreign-invested enterprises. Enterprises established prior to match 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012.

Accordingly the Company is located in the Shenzhen Special Economic Zone and is therefore can continue to enjoy the preferential tax rate during the transitional period which is 18% in 2008.

The branches of the Company are located in various cities of Mainland China and are subject to new corporate tax rate of 25% on their assessable profit for the year.

Subsidiaries:

Shenzhen EVOC Software Technology Company Limited and Shenzhen EVOC Xinteer Technology Company Limited are located in the Shenzhen Special Economic Zone and are therefore subject to a corporate income tax rate of 18%.

In accordance with the relevant income tax laws and regulations in the PRC, Shenzhen EVOC Software Technology Company Limited was exempt from corporate income tax for two years commencing from its first year with assessable profits (ie 2006) after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years. Accordingly, Shenzhen EVOC Software Technology Company Limited was fully exempted from corporate income tax for the three months ended 31 March 2008 and 2007.

Shenzhen EVOC Xinteer Technology Company Limited has not provided for any corporate income tax since it had no taxable income for the three months ended 31 March 2008 and 2007.

Shanghai EVOC Technology Company Limited, Beijing EVOC International Technology Company Limited and Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited are subject to the statutory 25% state corporate income tax.

6. DIVIDENDS

The Directors do not recommend the payment of dividend for the three months ended 31 March 2008 (2007: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2008 is based on the unaudited profit attributable to equity holders of the Company of approximately RMB13,646,000 (2007: RMB11,754,000) and the 1,233,144,000 (2007: 1,233,144,000) ordinary shares in issue during the period.

The weighted average number of ordinary shares in issue for 2008 and 2007 is determined as if the capitalization issues had taken place on 1 January 2007.

Diluted earnings per share amount for the three months ended 31 March 2008 and 2007 have not been disclosed as no diluting events existed during these periods.

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Properties revaluation reserve RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	102,762	29,138	40,250	—	201,509	373,659	—	373,659
Profit for the period	—	—	—	—	11,754	11,754	—	11,754
At 31 March 2007	102,762	29,138	40,250	—	213,263	385,413	—	385,413
At 1 January 2008	123,314	8,586	54,311	93,215	341,881	621,307	666,235	1,287,542
Profit/(Loss) for the period	—	—	—	—	13,646	13,646	(46)	13,600
At 31 March 2008	123,314	8,586	54,311	93,215	355,527	634,953	666,189	1,301,142

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2008, the Group reported an unaudited revenue of RMB183,289,000 (2007: RMB68,051,000), representing an increase of 169% 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 three months ended 31 March 2008, the Group recorded an unaudited net profit of RMB13,600,000 (2007: RMB11,754,000), represented an increase of 16% as compared with the same period of last year. The gross profit margin was 25% as compared to 38% of the same period of last year. The decrease in gross profit margin was mainly due to increase trading business in EIP components with a comparatively lower margin.

Business Review

During the period, the Group continued to engage in the research, development and distribution of Embedded Intelligent Platform ("EIP") products in China, the Group has worked 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 the quality of people's lives. The Group offers over 320 types of EIP products and a number of industry-specific solutions for 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 the area of 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. With rapid expansion in production scale and R&D resources in recent years, the Group intends to continue to spread the industrial chain in order to increase new profit growth points. After thorough investigation and research, the Group decides to develop services outsourcing business in middle and back area of Yangtze River Delta where land resources and labor force are sufficient.

Product Categories

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

	Turnover			
	Three months ended 31 March			
	2008 (unaudited)		2007 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type EIP	116,673	63.7	34,808	51.2
Chassis-type EIP	63,297	34.5	31,324	46.0
Remote data modules	3,319	1.8	1,919	2.8
	183,289	100	68,051	100

Sales and Marketing

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 improve overseas market development strategy, but also fully consolidated its market share in the EIP market of Mainland China. During the period under review, the Group enhanced the product cognition in overseas market through international exhibitions and fairs. Moreover, the Group also plans to develop overseas agent business and sets up overseas office to impose the comprehensive development overseas market.

During the period under review, the Group had already placed advertisements in more than 40 professional media and over 20 websites in the internet and participated in the following exhibitions and fairs:

1. "2008 INTEL IDF";
2. "INTEL Industrial Automation Solutions Date (INTEL工業自動化解決方案日)";
3. "DEFXPO 2008 (DEFXPO 2008第九屆印度國際安防展)" held in New Delhi, India;
4. "EMBEDDED WORLD EXPO (EMBEDDED WORLD展覽會)" held in Nuremberg, Germany;
5. "AIMEX2008 (AIMEX2008韓國國際自動化展)" held in Korea;

6. “Ninth ChinaMach (上海第九屆中國國際機械工業展覽會)” held in Shanghai;
7. “Eleventh Nanjing Industry Automation and Equipment Fair (南京第十一屆工業自動化及儀器儀錶展)”;
8. “The Eighth Asian Pacific Automation and Equipment Fair (第八屆亞太自動化與儀錶展)” held in Suzhou;
9. “the Seventh China West International Equipment Manufacturing Exposition” held in Xian.

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 2010 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 Group believes that the demand of the Group's products in 2008 will remain strong.

The Group is one of the leading enterprises in the EIP industry in Mainland China. While maintaining its core competitiveness, the Group will at the same time explore business opportunities in upstream products, such as R&D and sales of EIP peripheral products. After initiating our quest to overseas market in 2007, the Group will further increase its effort in exploring the overseas market in 2008 to establish overseas foothold as well as set up and fine tune its overseas market system.

The Group understands that the critical success factor to increase its competitiveness is strength in technology advancement and after sales services. The EVOC Central Research Institute will continue to solicit talents in EIP industry, commit to improve the R&D team and project management and further enhance the Group's capability in research and development. The Group will strengthen its co-operation with upper stream chips manufacturers so that a solid foundation can be laid to keep the Group's products always attain the most state-of-art status.

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

As at 31 March 2008, 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 31 March 2008, 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 31 March 2008; 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 2008, 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 2008, 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 Group has not purchased, sold or redeemed any of the Group's shares during the period.

COMMITMENTS

As at 31 March 2008, the Group had a contracted but not provided for commitments amounting to approximately RMB181,699,000 (2007: RMB14,701,000) in respect of a service outsourcing centre in Wuxi, PRC.

EXCHANGE RATE EXPOSURE

As major currencies used for the Group's transactions were Renminbi, the exchange rate risks of the Group is considered to be minimal.

CAPITAL STRUCTURE

There has been no significant change in the capital structure during the period.

SIGNIFICANT INVESTMENT

The Group has not held any significant investment during the period.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal during the Period.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the period the Group substantially complied with the Code of Corporate Governance Practices (“the Code”) as set out in Appendix 15 of the GEM Listing Rules. In particular, the Group has ensured:

- the disclosure information relating to Directors’ remuneration policy;
- duty delegated by the Board;
- operations of committees and
- accountability and internal control,

were in compliance with the Code.

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 Group.

The Group's unaudited interim results for the three months ended 31 March 2008 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, 9 May 2008

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun; the independent non-executive directors of the Group are Mr. Wen Bing, Ms. Zhou Hong, Mr. Dong Lixin and Mr. Wang Tian Xiang.

* *For identification purpose only*