

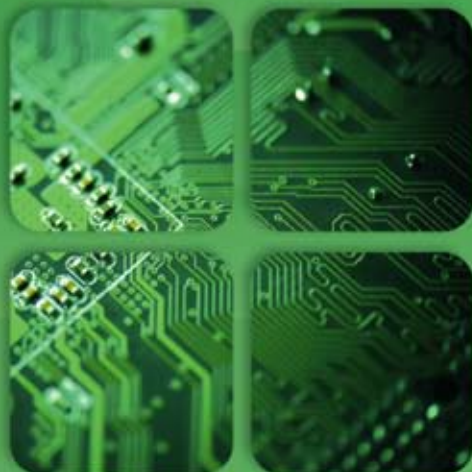


研祥智能科技股份有限公司

EVOC Intelligent Technology Company Limited*

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

Stock Code : 8285



• 2008 Interim Report

* for identification purpose only

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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.

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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 whatsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (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 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 six months ended 30 June 2008 was approximately RMB419 million (2007: RMB155 million), representing an increase of approximately 170% as compared to the same period of last year.

Profit attributable to equity holders of the Company for the six months ended 30 June 2008 amounted to approximately RMB42 million (2007: RMB32 million), representing an increase of approximately 31% as compared to the same period of last year.

Earnings per share of the Group was approximately RMB0.034 (2007: RMB0.026) for the six months ended 30 June 2008.

The Directors do not recommend the payment of dividend for the six months ended 30 June 2008 (2007: 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 2008, together with the comparative unaudited results for the corresponding period in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Turnover	4	236,057	86,557	419,346	154,608
Cost of sales		(173,949)	(48,257)	(312,153)	(90,269)
Gross profit		62,108	38,300	107,193	64,339
Other income	5	15,931	2,558	25,915	4,073
Selling and distribution costs		(13,946)	(8,570)	(25,676)	(15,070)
Administrative expenses		(12,504)	(5,017)	(21,412)	(7,587)
Other operating expenses		(9,565)	(5,840)	(19,135)	(11,735)
Finance costs		(12,339)	(21)	(19,046)	(43)
Profit before taxation		29,685	21,410	47,839	33,977
Income tax	6	(1,209)	(1,102)	(5,763)	(1,916)
Net profit for the period		28,476	20,308	42,076	32,061
Attributable to:					
Equity holders of the Company		28,700	20,308	42,346	32,061
Minority interest		(224)	—	(270)	—
		28,476	20,308	42,076	32,061
Dividend	7		—		—
Earnings per share					
— Basic	8	RMB0.023	RMB0.016	RMB0.034	RMB0.026

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	9	349,822	323,806
Investment properties		61,271	61,271
Lease prepayments		1,020,259	1,020,259
Goodwill		24,470	24,470
Deferred tax assets		3,133	3,133
		1,458,955	1,432,939
Current assets			
Inventories		188,235	91,148
Trade receivables	10	140,008	129,174
Bills receivables		21,302	18,259
Lease prepayments		31,506	31,506
Other receivables, deposits and prepayments	11	109,956	40,018
Cash and cash equivalents	12	520,091	571,061
		1,011,098	881,166
Current liabilities			
Bank borrowings		400,000	280,000
Trade payables	13	115,396	105,785
Bills payable		11,158	543
Income tax payable		9,562	6,275
Other payables and accruals	14	255,112	284,753
Amounts due to minority shareholders		9,400	9,400
		800,628	686,756
Net current assets		210,470	194,410
Total assets less current liabilities		1,669,425	1,627,349

<i>Notes</i>	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Non-current liabilities		
Bank borrowings	150,000	150,000
Deferred tax liabilities	189,807	189,807
	339,807	339,807
Net assets	1,329,618	1,287,542
Equity		
Share capital	123,314	123,314
Reserves	540,339	497,993
Equity attributable to equity holders of the company	663,653	621,307
Minority interest	665,965	666,235
Total equity	1,329,618	1,287,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory surplus reserve	Properties revaluation reserve	Retained profits	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	123,314	8,586	54,311	93,215	341,881	666,235	1,287,542
Net profit/(loss) for the year	—	—	—	—	42,346	(270)	42,076
At 30 June 2008	123,314	8,586	54,311	93,215	384,227	665,965	1,329,618
At 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	—	—	—	—	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	
	2008 <i>(Unaudited)</i> RMB'000	2007 <i>(Unaudited)</i> RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(132,855)	(4,024)
NET CASH USED IN INVESTING ACTIVITIES	(19,142)	(35,710)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	101,027	(49,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(50,970)	(88,734)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	571,061	239,447
CASH AND CASH EQUIVALENTS AT END OF PERIOD	520,091	150,713
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCE	61,301	68,626
PLEDGED BANK DEPOSITS	9,474	12,087
TIME DEPOSITS	449,316	70,000
	520,091	150,713

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 Gaoxinshongsi 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 Group's unaudited condensed interim financial statement have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and the applicable 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. They have been prepared under the historical cost convention, as modified for the revaluation of leasehold buildings and investment properties.

The Group's unaudited consolidated results for the six months ended 30 June 2008 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the 2007 audited financial statement.

4. TURNOVER

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

5. OTHER INCOME

	Six months ended	
	30 June	
	2008	2007
Other operating income (mainly property rental & sub-contract income, etc.)	7,565	(1,056)
Non-operating income (mainly VAT tax refund of subsidiary company, government subsidy, etc.)	11,051	3,517
Interest income	6,789	1,479
Exchange gain	510	133
	25,915	4,073

6. 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 is entitled to a 50% reduction, which is 9% and 7.5% for the six months ended 30 June 2008 and 2007 respectively.

Shenzhen EVOC Xinteer Technology Company Limited has not provided for any corporate income tax since it had no taxable income for the six months ended 30 June 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.

7. DIVIDENDS

The Directors do not recommend the payment of dividend for the six months ended 30 June 2008 (2007: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the unaudited profit attributable to equity holders of the Company of approximately RMB42,346,000 (2007: RMB32,061,000) 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 take place on 1 January 2007.

Diluted earnings per share amount for the three months ended 30 June 2008 and 2007 have not been disclosed as no diluting events existed during these periods.

9. 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 2008	198,329	32,630	17,628	50,433	13,250	42,930	355,200
Additions	—	12,470	229	5,349	—	8,932	26,980
Disposals	—	—	—	(139)	—	—	(139)
At 30 June 2008	198,329	45,100	17,857	55,643	13,250	51,862	382,041
Accumulated depreciation:							
At 1 January 2008	—	5,501	8,852	15,316	1,725	—	31,394
Provided during the period	—	—	193	498	171	—	862
Disposals	—	—	—	(37)	—	—	(37)
At 30 June 2008	—	5,501	9,045	15,777	1,896	—	32,219
Net book value:							
As at 30 June 2008 (unaudited)	198,329	39,599	8,812	39,866	11,354	51,862	349,822
As at 31 December 2007 (audited)	198,329	27,129	8,776	35,117	11,525	42,930	323,806

10. 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 ageing analysis of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
0 to 90 days	118,644	115,753
91 to 180 days	10,880	9,050
181 to 365 days	10,144	2,939
Over 1 year	1,824	2,916
	141,492	130,658
Less: Provision for doubtful debts	(1,484)	(1,484)
	140,008	129,174

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Prepayments	101,168	31,847
Deposits and other receivables	8,788	8,171
	109,956	40,018

12. CASH AND CASH EQUIVALENTS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Cash and bank balances	61,301	88,563
Pledged bank balances	9,474	10,278
Time deposits	449,316	472,220
	520,091	571,061

The bank balances of RMB9,474,000 were pledged to a bank for issuance of bank guarantees to certain subcontractors of the Company.

13. TRADE PAYABLES

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

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
0 to 90 days	104,029	100,445
91 to 180 days	9,253	4,333
181 to 365 days	603	252
Over 1 year	1,511	755
	115,396	105,785

14. OTHER PAYABLES AND ACCRUALS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Payable for land lease premium and related tax	239,850	228,565
Other payables	24,106	44,746
Other taxes payables	(8,844)	9,231
Accruals	—	2,211
	255,112	284,753

15. SHARE CAPITAL

	Number of Shares		Amount	
	At 30 June 2008 '000	At 31 December 2007 '000	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Registered issued and fully paid:				
Domestic shares with par value of RMB0.10 each	924,792	924,792	92,479	92,479
H shares with per value of RMB0.10 each	308,352	308,352	30,835	30,835
	1,233,144	1,233,144	123,314	123,314

Pursuant to the circular dated 21 September 2007 concerning the proposed placing of Placing Shares which have been duly passed by way of poll in the Extraordinary General Meeting dated 6 November 2007, the Company have obtained an approval from the China Securities Regulatory Commission ("CSRC") on 12 June 2008 documented No. (2008) 794, the Company is allowed to issue not more than 184,971,600 additional ordinary H shares with par value of RMB0.10 each.

16. RESERVES

Movements of the reserves for the six months ended 30 June 2008 and 2007 are shown in the condensed consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2008, the Group reported an unaudited turnover of RMB419,346,000 (2007: RMB154,608,000), representing a growth of 171% 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 2008, the Group recorded an unaudited net profit of RMB42,076,000 (2007: RMB32,061,000), represented a growth of 31% as compared with the same period of last year. The gross profit margin was 26% as compared to 42% of the same period of last year. The decrease in gross profit margin was mainly due to increase trading business in electronic components with a comparatively lower margin.

The research and development costs was approximately RMB14.9 million (2007: RMB11.6 million) which was included in other operating expenses.

The profit attributable to equity holders of the Company was increased by approximately RMB10 million or about 31%, 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 2008, the Group had shareholders' funds/net assets of approximately RMB1330 million. It mainly comprised bank balances which amounted to approximately RMB520 million, inventories of approximately RMB188 million and trade and bills receivables amounted to approximately RMB161 million. Long-term bank borrowings amounted to RMB150 million. Current liabilities of the Group mainly comprised bank borrowings of RMB400 million, trade and bills payable of approximately RMB127 million and other payable and accruals of RMB255 million. Net assets value per share of the Group is approximately RMB1.08.

As at 30 June 2008, the gearing ratio of the Group is about 32% (31 December 2007: 21%). It is defined as current liabilities and long term bank loans less cash and cash equivalents divided by equity.

Pledge of Assets

At 30 June 2008, the Group has pledged certain of its property, plant and equipment, investment properties and lease prepayments having a total carrying amount of approximately RMB253,763,000 (31 December 2007: RMB253,753,000) as security for bank loans and general banking facilities granted to the Group. Except for the above and the pledged bank deposits of RMB9,474,000 (31 December 2007: RMB10,228,000), there are no other charges on the Group's assets.

Employee Information

As at 30 June 2008, the Company had 2,318 (30 June 2007: 1,479) full time employees and the total remuneration for the period was approximately RMB33.1 million (30 June 2007: RMB15.6 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 2008, the Group did not have any contingent liabilities.

Exchange Rate Exposure

For the period ended 30 June 2008, 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

During the period under review, the Group continued to engage in the research, development and distribution of Embedded Intelligence Platform (“EIP”) products in China. The Group has delivered unswerving efforts to encourage the popularity and application of EIP, in order to foster the development of the information technology and automation in a wide diversity of varying industries in the PRC, and to achieve improved and higher living standards of peoples.

The Group offers three main series of over 300 types of EIP products and a number of different industry-specific solutions, 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 areas of telecommunication, industrial, military, video frequency control, transportation, Internet, commerce and finance.

During the period under review, the Group strengthened its production capacities through expansion of the production lines in response to market needs and reported fruitful results for its exploration into overseas markets. The Group identified new profit growth sources through further expanding its production chains by leveraging on the existing EIP products, and through accelerating the fulfillment of services outsourcing projects and the marketing of the system integrated products (downstream EIP products).

Product Categories

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

	Turnover			
	Six months ended 30 June			
	2008		2007	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Board-type EIP	128,634	30.7	82,997	53.7
Chassis-type EIP	100,681	24.0	67,713	43.8
Remote data modules	5,928	1.4	3,898	2.5
Others (including electronic components trading etc.)	184,103	43.9	—	—
	419,346	100	154,608	100

Research & development

During the period under review, the Group continued to enhance its R&D capability. In particular, endeavours were made to optimize the management structure and the mode of operation of a R&D center in Xian in the North-western part of China, where embedding with huge potentials for market growth. The R&D center in Xian will be specialized in developing and manufacturing automated control modules and terminal intelligence products, thereby further enriching the product lines of the Group to the total customer satisfaction of a full range of comprehensive integrated system solutions.

From January to June 2008, the highlighted R&D projects and major new products rolled out by the Group were namely:

1. Ruggedpad Laptop;
2. Low-power Embedded Computer;
3. Stackable Embedded & Industrial Computer.

Sales and Marketing

As for Mainland China, the Group will continue to adhere to its marketing strategy and sales philosophy which is based on direct sales and supplemented by sales agents. While seeking for a larger market share in China, the Group will also take an active step in opening up overseas markets. During the period, the Group has entered into a concrete stage of finalization in respect of setting up overseas marketing network and branch sales outlets upon conducting market researches in some particular federations (Russia, Ukraine), and other regions like the Western Europe, the Southeast Asia, the Middle East, Korea and Japan.

Further to its marketing and promotional efforts in the past, during the year under review, the Group launched a flurry of sizeable marketing and promotional activities, including “Exchange Seminar for New Product Introduction in the North-eastern part of China in 2008 by EVOC Intelligent” (《二零零八年研祥智能東北地區新產品推介交流會》), “Exchange Seminar on the Development of New Embedded Products and Services in the North-eastern Industrial Base by EVOC Intelligent” (《研祥智能嵌入式新產品服務東北工業基地發展交流會》), “Exchange seminar in Tianjin” (《天津地區交流會》) and “Greeting on the Olympics” (《與奧運通行》). In the second quarter of 2008, the Group had placed advertisements in 15 mainstream media, 25 professional media, five commercial media and three overseas media, through which the Group is set to become increasingly influential in the horizon of EIP and to enjoy growing market appeal and awareness.

The exhibitions in which Group took part during the second quarter of 2008 included:

1. The Eighth Anhui International Industrial Automation and Instrumentation Exhibition (《第八屆安徽國際工控自動化及儀器儀錶展》);
2. 2008 Yangtze River Delta (Hangzhou) Instrumentation and Automation International Exhibition (《2008長三角(杭州)儀器儀錶與自動化國際展》);
3. The 12th China International Industrial Automation and Control Technology Exhibition (《第12屆中國國際工業自動化與控制技術展覽會》);
4. The 12th International Sector Modernization Project/Process Automation Technology and Equipment Exhibition (《第十二屆國際現代化工程/過程自動化技術與裝備展覽會》);
5. China (Xi'an) International Intelligent Transportation and Road Safety Products Exhibition in 2008 (《2008年中國(西安)國際智能交通暨道路交通安全產品博覽會》); and
6. The 8th China Harbin International Industrial Automation and Instrumentation Exhibition (《第八屆中國哈爾濱國際工業自動化及儀器儀錶展覽會》).

Apart from the above, for the sake of establishing a foothold in overseas markets, the Group also participated in certain exhibitions such as “Embedded World EXPO” in Nuremberg, “Messe” in Hannover, Germany and “Computex” in Taipei.

Management

During the period, to cope with the expansion of its production chains, the Group had intensified the system training for the management, marketing and financial personnel in order to enable them to meet with the Group's requirements for its swift growth. The Group has further led itself the way to a solid cornerstone of operation and management by upgrading the existing ERP systems to the latest SAP version

Base for Services Outsourcing Business

The Group's investment in the services outsourcing base represented the project in the major outsourcing zone in Wuxi City in China, which is the first services outsourcing zone built up with a revolutionized concept of “being run by civilians under the assistance from government officials” in the Yangtze River Delta. During the period under review, the project for services outsourcing base was under smooth progress. The first phase of the underground structure of the commercial centre of 5600m² has been completed, which is expected to be put into service by late 2008. The piling works (1110 piles) for Prime New Plaza (comprising of two blocks of 21-storey office buildings), with an area of 95,000m² have been finished. Those buildings are ready for construction works and are expected to be topped up in the second half of the coming year.

The project for services outsourcing base has been regarded as the key engineering works for the focal services outsourcing zone in Wuxi City and the modern service industry zone in Jiangsu Province. It is also set as the demonstrative model for the research centre of services outsourcing in China, and functions as a training centre for information technology personnel dispatched by NITE under the Ministry of Information Industry.

Prospects

The evolvement in the traditional industry infrastructure and the initialization of the information technology of the emerging industries were beneficial elements for the fact that the EIP industry is growing stably while the product structure is notably changing. In reaction to the prevailing market conditions, the Group will gradually increase the percentage of software and services to product mix, so as to shift from customer standardization to tailor-made customization.

The Group will step up the construction and operation of the project of the services outsourcing base at a full gear. The project is expected to bring a substantial gain to the Company in 2009. Upon completion, the project will be mainly based on ITO (Information Technology Outsourcing), BPO (Business Process Outsourcing) and KPO (Knowledge Process Outsourcing). Emphasized industries including software outsourcing, R&D, call center, laboratory, technical support, finance, human resources and innovation will be introduced. The Group will make great leaps in building up several export-oriented enterprises including an international R&D centre, a purchasing centre and a logistic centre, in order to emerge as a comprehensive industry player in terms of large scale and highest profession in the Yangtze River Delta in China. To capture the geographical advantage and human resources edges of the services outsourcing base, the Group will move some of its technological R&D, manufacturing and software outsourcing business into the base, with a view to vigorously promoting the growing momentum of the existing operations of the Group as well as creating new profit drivers.

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

As at 30 June 2008, the interests or short positions of the directors, supervisors and chief executive of the Group in the shares, underlying shares and debentures of the Group 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 Group 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 Group and the Stock Exchange relating to securities transactions by the directors, were as follows:

(a) Long position — interests in the Group

	Type of interests	Number of Shares	Class of Shares	Approximate percentage of holding of the relevant class of shares of the Group	Approximate percentage of holding of the total share capital of the Group
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 Group pursuant to Part XV of the SFO.
- 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 Group 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 June 2008, so far as the Directors are aware the persons who have an interest or short position in the shares of the Group which would fall to be disclosed to the Group 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 Group or substantial shareholders as recorded in the register required to be kept by the Group under section 336 of the SFO, are as follows:

Long positions in shares

Name of shareholder of the Group	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) (<i>Note</i>)	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 Group or any associated corporation (if any) (within the meaning of the SFO) which will be required to be notified to the Group 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 Group and the Stock Exchange as at 30 June 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 30 June 2008, have an interest or short position in the shares or underlying shares of the Group which would fall to be disclosed to the Group 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 Group or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Group 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 Group and its associated corporations (within the meanings of the SFO Ordinance).

SHARE OPTION SCHEME

Up to 30 June 2008, the Group has not adopted any share option scheme or granted any option.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the six-month period ended 30 June 2008.

COMPETING BUSSINESS AND CONFLICTS INTERESTS

None of the directors, 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.

CAPITAL COMMITMENTS

As at 30 June 2008, the Group had a contracted but not provided for commitments amounting to approximately RMB394.4 million (31 December 2007: RMB96.6 million) 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2008, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 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 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 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, 11 August 2008

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