



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
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 2008 was approximately RMB771 million (2007: RMB309 million), representing an increase of approximately 150% 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 2008 amounted to approximately RMB93 million (2007: RMB76 million), representing an increase of approximately 22% as compared to the same period of last year.

Earnings per share was approximately RMB0.075 (2007: RMB0.062) for the nine months ended 30 September 2008.

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Turnover	4	351,826	154,031	771,173	308,639
Cost of sales		(252,359)	(86,233)	(564,513)	(176,502)
Gross profit		99,467	67,798	206,660	132,137
Other income		13,155	7,699	39,070	11,772
Selling and distribution costs		(13,607)	(10,604)	(39,283)	(25,674)
Administrative expenses		(12,106)	(6,954)	(33,518)	(14,541)
Other operating expenses		(19,312)	(8,289)	(38,447)	(20,024)
Finance costs		(14,114)	(3,863)	(33,160)	(3,906)
Profit before tax		53,483	45,787	101,322	79,764
Tax	5	(2,744)	(1,879)	(8,507)	(3,795)
Net profit for the period		50,739	43,908	92,815	75,969
Attributable to:					
Equity holders of the Company		50,998	43,908	93,344	75,969
Minority interest		(259)	—	(529)	—
		50,739	43,908	92,815	75,969
Dividend	6	—	—	—	—
Earnings per share					
— Basic	7	RMB0.041	RMB0.036	RMB0.075	RMB0.062

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 “Advanced Process Automation” (“APA”) products in Mainland China and to promote industrial automation, intelligence, information technology in the field of development. APA products manufactured and distributed by the Group are widely applied in areas of railway transit, coalmine safety, environmental protection, telecommunication, commerce, industrial, finance, energy, military, video frequency control and Internet.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 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 nine months ended 30 September 2008 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 is entitled to a 50% reduction, which is 9% and 7.5% for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2008 (2007: Nil).

7. 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 2008 is based on the unaudited profit attributable to shareholders of approximately RMB93,344,000 (2007: RMB75,969,000) 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 nine months ended 30 September 2008 and 2007 have not been disclosed as no diluting events existed during these period.

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	Minority interests RMB'000	Total equity 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 period	—	—	—	—	93,344	(529)	92,815
At 30 September 2008	123,314	8,586	54,311	93,215	435,225	665,706	1,380,357
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	—	—	—	—	75,969	—	75,969
At 30 September 2007	123,314	8,586	40,250	—	277,478	—	449,628

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the nine months ended 30 September 2008, the Group reported an unaudited revenue of RMB771,173,000 (2007: RMB308,639,000), representing an increase of 150% 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 products.

Gross Profit

Gross Profit of the Group for the nine months ended 30 September 2008 was approximately RMB206.7 million, representing an increase of approximately 56.4% over the corresponding period in 2007. The Group's gross profit margin for the period was approximately 26.8%, whilst the Group's gross profit margin was approximately 42.8% for the same period in 2007. The decrease in gross profit margin was mainly due to increase in other auxiliary business with comparatively a lower margin. During the period, the gross profit margin of existing APA products was approximately 40.8%, while the other auxiliary business was approximately 5%. The management believed that the new auxiliary business will have great potential growth to the group in future. Other than that, a relatively stable GP ratio was observed to the existing products between two periods.

Other income

The Group's other income for the period approximately RMB39.1 million, were mainly VAT tax refund, government subsidy and property rental & subcontract income for the period as compared to approximately RMB11.8 million for the same period in 2007.

Profit for the Period

For the nine months ended 30 September 2008, the Group recorded an unaudited net profit of RMB92.8 million, representing an increase of RMB16.8 million or 22.1% over that of RMB76.0 million for the same period in 2007.

Gearing ratio

As at 30 September 2008, the gearing ratio of the Group is about 33.7% (31 December 2007: 20.6%). It is defined as current liabilities and long term bank loans less cash and cash equivalents divided by total equity.

Business Review

The Group continued to engage in the research and development, manufacture and sales of Embedded Intelligent Platform (“EIP”). The Group has delivered unwavering efforts to boost popularity and application of EIP, and encourage the development of automation and adoption of information technology in various industries in China with a view to improve the quality of people’s lives. After rapid development, the EIP industry has won wide recognitions from governments and clients around the world and in China and its concept has been redefined by the international academic circles as “Advanced Process Automation” (“APA”).

The Group offers three main series of APA products comprising over 360 types and a number of industry-specific solutions, which are widely applied in the fields of railway transit, coalmine safety, environmental protection, telecommunication, commerce, industrial, finance, energy, military, video frequency control and Internet.

During the period under review, the Group continued to maintain its growth momentum in sales revenue, the management was active in exploring new markets and new product applications and attracted new customers and increased sales revenue. With the help of the Group’s brand awareness, revenue of new applications in coal mine safety monitoring, railway transportation and waste water control was encouraging.

Product Categories

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

	Turnover			
	Nine months ended 30 September		2007	
	2008 (unaudited)		(unaudited)	
	RMB’000	%	RMB’000	%
Board-type APA(EIP)	266,634	34.6	157,937	51.2
Chassis-type APA(EIP)	192,276	24.9	126,153	40.9
Remote data modules	10,065	1.3	7,451	2.4
Other auxiliary business	302,198	39.2	17,098	5.5
	771,173	100	308,639	100

Research and Development (“R&D”)

The application features of existing APA products emphasize shrinking in product size and adoption of more advanced technology. Considering different application fields of APA products, the Group has made relevant adjustments and improvements on its R&D system and specifically established an application R&D team for industries and new products. The R&D system has maintained close relation and effective communication with markets and sales, which enable the Group to adjust its R&D strategies and directions based on market feedbacks. As such, the Group has been able to stay ahead of its competitors in terms of product research and development and technology innovation.

Following are the Group's high-lighted R&D projects and major new products launched from July to September 2008:

1. Reinforced intelligent platform for automobiles;
2. Self-owned patented bus embedded products;
3. PC/104 micro fan-less completed machine; and
4. High-end 5100 server level dual processors network safety platform.

Sales and Marketing

In Mainland China, the Group continued to adhere to the market strategy and sales mode mainly based on direct sales and supplemented by sales agents. Such a mode enables the Group to quickly comprehend the market movements and clients' needs, and develop new products and provide relevant services in response to the market feedbacks as soon as possible.

During the period, in order to further strengthen the influence and reputation of the Group in the Chinese APA industry, the Group has advertised in 13 mainstream media, 22 specialized media and 6 commercial media.

The Group participated in the following expos and technology exchange seminars from July to September 2008:

1. Seventh China (Xi'an) National Defense Technology, Electronics and Technology for both Military and Civil Use Expo (第七屆中國國防科技電子暨軍民兩用技術(西安)博覽會);
2. "2008 The World's EVOC — National Roadshows for New Products" held in Nanjing, Xi'an and Shenzhen (南京、西安、深圳地區"2008世界的研祥!全國巡迴新品推介會");
3. Third China (Lanzhou) International Equipment Manufacture Industry Expo (第三屆中國蘭州國際裝備製造業博覽會);
4. The Tenth China Qingdao International Industrial Automation, Instruments and Meters Expo (第十屆青島國際工控自動化及儀器儀錶展覽會);
5. Exploring New Strategies for Technology Self-innovation for Automatic Fare Collection System of City Railway Transit Seminar (城市軌道交通自動售檢票系統技術自主創新戰略探討); and
6. Second China (Taiyuan) International Coal & Energy New Industry Expo (第二屆中國(太原)國際煤炭與能源新產業博覽會).

The Group endeavored to explore the overseas markets with higher margins. On the basis of comprehensive research lasting one and a half year, the Group plans to, first of all, capture overseas markets with higher growth potential for APA products as the stepping stones. During the period, the Group conducted market and product promotions and advertised in over 10 specialized media in overseas markets.

The Group took part in the following expos from July to September 2008:

1. Automation 2008 expo in Mumbai, India;
2. SPS/IPS/DRIVES/Electric Automation expo in Nuremberg, Germany;
3. "OGS 2008" and "Gitex 2008" expos in Dubai;
4. China Import and Export Fair 2008;
5. Compamed 2008; and
6. PTA Moscow 2008.

MANAGEMENT

During the period under review, the Group continued to intensify the internal training, aimed at quickly enhance the overall quality of all the staff, so as to effectively guarantee the rapid development of the Group. In light of expansion in the area of operations, the Group reinforced the building up of human resources reserve in the period under review, focusing on consolidating and training of the overseas marketing and service teams.

OUTLOOK AND PROSPECTS

Following the further improvement on and implementation of the “self-innovation” policy by the Chinese government, it encourages the practice of the preferred purchase of “self-innovated” products manufactured by domestic enterprises by way of legislation. It is expected that there will be a sharp increase in the portion of the Group’s turnover the government orders account for. Currently, the revenue of the Group mainly comes from the fields of commerce, industrial, finance, energy and transportation. The clients from these highlighted industries usually conduct pilot tests on products of the Group for a period of time before making large orders upon satisfactory results. The Group expects that the main sources of revenue in the next two years will come from key industries such as railway transit, coalmine safety, environmental protection and Chinese 3G telecommunications.

Up until now, practically all of the sales revenue of the Group comes from the domestic market. The existing Chinese APA market only accounts for 15%--20% of the global APA market. The Group plans to boost the portion of both the overseas and domestic markets to the same level as the global market by devoting a few years’ efforts. On the one hand, the Group plans to set up branch offices in the Middle East and other new overseas markets with greater growth potential in near future; on the other hand, the Group intends to establish international agents who are able to conduct local sales. Moreover, the Group will vigorously develop and launch pioneering products to capture market share and employ locals in the overseas markets to conduct the sales.

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

As at 30 September 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 30 September 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 30 September 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 September 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 30 September 2008, the Company has not adopted any share option scheme or granted any option.

COMPLIANCE WITH RULE 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 code of conduct regarding securities transactions by the directors throughout the nine-month period ended 30 September 2008.

COMPETING BUSINESS 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 September 2008, the Group had a contracted but not provided for commitments amounting to approximately RMB300.83 million (30 September 2007: RMB18.35 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 nine months ended 30 September 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 nine months ended 30 September 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, 5 November 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*