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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Group's turnover was approximately RMB1,211,090,000 representing an increase of approximately 101% as compared to approximately RMB602,626,000 in 2007.

Profit attributable to equity shareholders of the Company was approximately RMB113,262,000 representing a decrease of approximately 27% against approximately RMB154,433,000 in 2007.

Earnings per share of the Group were approximately RMB0.092 representing a decrease of approximately 26% as compared to RMB0.125 in 2007.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

AUDITED RESULTS

The board of directors (the "Directors") are pleased to present the audited consolidated results of the Group for the year ended 31 December 2008, together with the comparative figures for the corresponding year in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
		(Audited)	(Audited)
Turnover	4	**1,211,090**	602,626
Cost of sales		**(907,669)**	(370,972)
Gross profit		**303,421**	231,654
Other income		**57,354**	19,892
Valuation (loss)/gain on investment properties		**(4,707)**	27,620
Selling and distribution costs		**(50,759)**	(39,948)
Administrative expenses		**(97,180)**	(30,291)
Other operating expenses		**(49,188)**	(36,941)
Finance costs		**(48,031)**	(12,173)
Profit before taxation	6	**110,910**	159,813
Income tax	7	**(13,687)**	(5,377)
Profit for the year		**97,223**	154,436
Attributable to:			
Equity holders of the Company		**113,262**	154,433
Minority interests		**(16,039)**	3
		97,223	154,436
Dividend	12	**—**	—
Earnings per share — Basic (RMB)	8	**0.092**	0.125

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Note	2008 RMB'000 (Audited)	2007 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**372,522**	323,806
Investment properties		**58,330**	61,271
Lease prepayments		**992,867**	1,020,259
Deposit for acquisition of prepaid land lease		**5,000**	—
Goodwill		**24,470**	24,470
Deferred tax assets		**1,709**	3,133
		1,454,898	1,432,939
CURRENT ASSETS			
Inventories		**89,629**	91,148
Trade receivables	9	**143,753**	129,174
Bills receivable		**9,141**	18,259
Income tax receivable		**2,654**	61
Lease prepayments		**28,883**	31,506
Other receivables, deposits and prepayments		**31,882**	40,018
Cash and cash equivalents		**1,024,017**	571,061
		1,329,959	881,227
CURRENT LIABILITIES			
Bank borrowings		**588,000**	280,000
Trade payables	10	**112,957**	104,396
Bills payable	10	**13,099**	543
Income tax payable		**13,739**	6,336
Other payables and accruals		**302,887**	286,142
Amounts due to minority shareholders		**—**	9,400
		1,030,682	686,817
Net current assets		**299,277**	194,410
Total assets less current liabilities		**1,754,175**	1,627,349
NON-CURRENT LIABILITIES			
Bank borrowings		**192,000**	150,000
Deferred tax liabilities		**195,662**	189,807
		387,662	339,807
Net assets		**1,366,513**	1,287,542
EQUITY			
Share capital	11	**123,314**	123,314
Reserves		**593,003**	497,993
Equity attributable to equity holders of the Company		**716,317**	621,307
Minority interests		**650,196**	666,235
Total equity		**1,366,513**	1,287,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Properties revaluation reserve *RMB'000*	Translation 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 31 December 2006	**102,762**	**29,138**	**40,250**	**—**	**—**	**201,509**	**373,659**	**997**	**374,656**
Net income recognised directly in equity									
Revaluation gain of buildings, net of deferred tax	—	—	—	93,215	—	—	93,215	—	93,215
Profit for the year	—	—	—	—	—	154,433	154,433	3	154,436
Total recognised income and expense for the year	—	—	—	93,215	—	154,433	247,648	3	247,651
Capitalisation issue	20,552	(20,552)	—	—	—	—	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(1,000)	(1,000)
Acquisition of interest in a subsidiary	—	—	—	—	—	—	—	666,235	666,235
Appropriation	—	—	14,061	—	—	(14,061)	—	—	—
At 31 December 2007	**123,314**	**8,586**	**54,311**	**93,215**	**—**	**341,881**	**621,307**	**666,235**	**1,287,542**
Net income recognised directly in equity									
Exchange differences arising on translation of overseas operations	—	—	—	—	565	—	565	—	565
Revaluation loss of buildings, net of deferred tax	—	—	—	(18,817)	—	—	(18,817)	—	(18,817)
Profit for the year	—	—	—	—	—	113,262	113,262	(16,039)	97,223
Total recognised income and expense for the year	—	—	—	(18,817)	565	113,262	95,010	(16,039)	78,971
Appropriation	—	—	9,722	—	—	(9,722)	—	—	—
At 31 December 2008	**123,314**	**8,586**	**64,033**	**74,398**	**565**	**445,421**	**716,317**	**650,196**	**1,366,513**

Notes:

1. CORPORATE INFORMATION

EVOC Intelligent Technology Company Limited (the "Company") is a limited liability company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at EVOC Technology Building, No 31 Gaoxingzhongsi Avenue, Nanshan District, Shenzhen, the PRC.

During the year, the Group engages in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products in Mainland China.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new interpretations and amendments did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) — Int 11 "HKFRS 2 — Group and treasury share transactions", HK(IFRIC) — Int 12 "Service concession arrangements", HK(IFRIC) — Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective Date
HKSA 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendments)	Vesting conditions and cancellations	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Financial instruments: recognition and measurement — eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Hong Kong Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of buildings and investment properties.

(c) Consolidation

The financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions between Group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. TURNOVER

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances and exclude value added tax or other sales related taxes.

5. SEGMENT INFORMATION

The Group operates in one business segment, which is the research, development, manufacture and distribution of APA (Advanced Process Automation) products and therefore, no further business segment analysis is presented.

No geographical segment analysis is presented as the Group's operations were substantially carried out in the PRC during the years ended 31 December 2008 and 2007.

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	2008	2007
	RMB'000	*RMB'000*
Cost of inventories sold	**907,669**	370,972
Depreciation	**25,649**	13,855
Amortisation of land lease prepayments	**30,015**	126
Research and development costs:		
Current year expenditure	**48,630**	36,259
Minimum lease payments under operating leases in respect of land and buildings	**13,870**	8,113
Auditor's remuneration	**660**	650
Staff costs (including remuneration of directors):		
Salaries, bonus and allowance	**71,142**	40,354
Retirement benefits scheme contributions	**7,375**	4,022
Allowance/(reversal of allowance) for impairment loss on trade receivables	**2,539**	(444)
Loss on disposal of property, plant and equipment	**298**	135
Direct operating expenses (including repairs and maintenance) arising on rental from investment properties	**6,669**	3,805
Foreign exchange differences, net	**281**	68

7. INCOME TAX

2007:

The Company, Shenzhen EVOC Software Technology Company Limited ("Shenzhen EVOC") and Shenzhen EVOC Xinteer Technology Company Limited ("Xinteer") are located in the Shenzhen Special Economic Zone and were eligible to enjoy concessionary enterprise income tax ("EIT") rate of 15% in 2007.

Also, in accordance with the relevant income tax laws and regulations in the PRC, Shenzhen EVOC was exempt from EIT 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 was fully exempted from EIT in 2007.

The branches and other subsidiaries of the Company located in various cities of Mainland China were subject to the statutory EIT rate of 33% on their assessable profits in 2007.

Xinteer had not provided for any EIT since it has no taxable income for 2007.

2008:

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified EIT rate of 25% will be applied to both domestic invested enterprise and foreign-invested enterprises. Enterprises established prior to 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, Shenzhen EVOC and Xinteer can continue to enjoy the preferential tax rates during the transitional period. The Company and Xinteer are subject to EIT rate of 18% and Shenzhen EVOC is entitled to a 50% tax exemption (ie subject to a rate of 9%) in 2008.

The branches and other subsidiaries of the Company located in various cities of Mainland China were subject to the statutory EIT rate of 25% on their assessable profits in 2008.

Hong Kong EVOC International Technology Company Limited ("HK EVOC"), a subsidiary incorporated in Hong Kong during 2008, was subject to Hong Kong profits tax at 16.5% in 2008.

Xinteer and HK EVOC have not provided for any tax since they have no taxable income for 2008.

Taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	*RMB'000*
Current tax — PRC		
Provision for the year	**14,390**	7,288
Over-provision in respect of prior year	**(3,646)**	(743)
	10,744	6,545
Deferred taxation		
Origination and reversal of temporary differences, net	**2,943**	(1,168)
Total income tax expense	**13,687**	5,377

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2008	2007
Profit for the year calculation for the purpose of basic earnings per share	**RMB113,262,000**	RMB154,433,000
Shares in issue for full year	**1,233,144,000**	1,027,620,000
Capitalisation issue on 30 May 2007	**—**	205,524,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,233,144,000**	1,233,144,000

The weighted average number of ordinary shares in issue for 2007 is determined as if the capitalisation issue that had taken place on 1 January 2007.

There are no diluted earnings per share since the Company has no dilutive potential shares.

9. 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. In view of the foregoing and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

(a) An ageing analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 to 90 days	**130,142**	115,753
91 to 180 days	**8,446**	9,050
181 to 365 days	**2,864**	2,939
Over 1 year	**6,324**	2,916
Trade receivables	**147,776**	130,658
Less: Allowance for doubtful debts	**(4,023)**	(1,484)
	143,753	129,174

(b) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2008	2007
	RMB'000	*RMB'000*
At beginning of year	**1,484**	1,928
Additional allowance for the year	**2,539**	—
Reversal of allowance for the year	**—**	(444)
At end of year	**4,023**	1,484

10. TRADE PAYABLES AND BILLS PAYABLE

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**112,957**	104,396
Bills payable	**13,099**	543
	126,056	104,939

An ageing analysis of trade payables and bills payable, based on the invoice date, is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 to 90 days	**122,232**	99,599
91 to 180 days	**2,442**	4,333
181 to 365 days	**512**	252
Over 1 year	**870**	755
	126,056	104,939

11. SHARE CAPITAL

	Number of shares	RMB'000
Registered:		
At 31 December 2006	1,027,620,000	102,762
Increase during the year	205,524,000	20,552
At 31 December 2007 and 31 December 2008	1,233,144,000	123,314

	Number of shares	RMB'000
Issued and fully paid:		
At 31 December 2006	1,027,620,000	102,762
Capitalisation issue	205,524,000	20,552
At 31 December 2007 and 31 December 2008	1,233,144,000	123,314

12. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group continued to engage in the research and development, manufacture and distribution of APA products in China, and worked unswervingly to upgrade and transform Chinese traditional industries to facilitate their fast development by using information technology. As the sole member of INTEL ICA among APA manufacturers in Mainland China, and having established a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on application of embedded technology, the Group has good command of the latest development in the chip technology and dominance in deciding the formulation of standards for the Chinese APA industry, reflecting more clearly its overall competitive strength.

The Group's core business of APA continued to deliver excellent performance. For two consecutive years, the Group managed to achieve new records in turnover in this field. The Group's turnover rose by 101% to a record high of RMB1,211,090,000 (2007: RMB602,626,000). The increase was primarily due to overall market growth in traditional APA's products and auxiliary services business.

Rapid development of information technology in China and traditional industries in the Country such as utility industries like energy, railway transportation and environment assessment seeking to upgrade their operations have presented APA products a wider market. In this aspect, the Group has offerings that meet the country's requirements especially since the Chinese authority has been encouraging to the priority use of domestic products and technologies in major projects. This put the Group high on the supplier lists and a clear advantage in winning businesses among both local and foreign brands.

During the period, to better meet customer needs, the Group continued to extend its industrial chain taking reference of development trends and scope of applications in the APA market. It launched system-integration solutions, value-added products, which are complementary to APA products, and relevant auxiliary services as new profit growth drivers. System-integration solutions, value-added products and auxiliary services have helped the Group tighten relationship with existing customers and attract new customers, sharpen competitive edge and expand sales for added steady cash flow. The Group intends to continue the expansion of the scale of its system integration solution, value-added product and auxiliary service business.

1. *Research & development*

   During the period, the Group enhanced the structure and size of its R&D regime. It now has an over 600 strong R&D team working at one institute and four centers, namely a Technology Institute and the Shenzhen R&D center, Beijing R&D center, Shanghai R&D center and Xian R&D center. The Group holds exclusive intellectual property rights to its existing products and newly developed products that integrate latest embedded-intelligence control technology that could satisfy the requirements of APA products for applying in exceptional environments.

   Nowadays, APA products are finding finer applications requiring them to be more sophisticated professionally. The Group thus adjusted and perfected its R&D regime according to the application areas of its products. It has set up dedicated R&D teams for different industries and new product applications. It also made sure effective communication takes place between the R&D and marketing functions to facilitate prompt adjustment of R&D strategies and business direction in respond to changes in the market. These moves have kept the Group ahead of its industry peers in product development and technological innovation. During the period under review, the Group and the Institute of Computing Technology of the Chinese Academy of Sciences signed a "Strategic Cooperation Agreement on Application of Embedded Technology" to establish a "joint laboratory on embedded technology applications". The laboratory, which focuses on exploring the application of APA products and the Loongson CPU, will enable the Group to strengthen its R&D competence and speed up development of new generation products.

Riding on its core competitive strength of "applying innovative proprietary capabilities to develop its own brands", the Group has been able to sustain steady growth in all kinds of adverse circumstances. Heeding the development trend of the APA industry during the year, the Group developed a number of new products including low-power consumption embedded machine, stackable embedded & industrial computer, reinforced intelligent platform for automobiles, patented bus embedded products, complete PC/104 micro fan-less machine, high-end 5100 server level dual-processor network safety platform, railway MEC-1001 platform, network NVC-8XXX platform and 3G-specific MTA-XXX platform.

2. *Products & Services*

The Group offers over 380 APA products in three series and solutions designed for a number of industries. The APA products manufactured and distributed by the Group are widely used in traditional industries going through digitalization and adopting information technology, as well as in new industries bred by the development of information technology worldwide. In 2008, as APA product market matures in China, APA product services become more and more professional and standardized, and their value better recognized. With APA products boasting longer lifespan, customers have also become more demanding on related services. The Group sees the demand for services growing markedly faster than that for hardware in the next few years.

Based on the unique characteristics of the APA industry and APA product development, the Group continued to set up sales and service points in China during the period under review, bringing the number of branches to more than 40 to date. It boasts the most complete sales and service network in the industry, which has enabled it to provide timely on-site pre-sale, during sale and after sale services to customers. Armed with outstanding technical know-how, the Group is also able to customize products for its major customers in different industries. This capability underscores the competitiveness of its products and its stable customer base.

In 2008, the Group won the following awards and accreditations:

(1) "China Best Small & Medium-size Enterprises 2008" (2008中國潛力企業) from Forbes;

(2) "Top 100 Guangdong private enterprises 2006–2007" (2006–2007年度廣東省百強民營企業) from the Guangdong Municipal Government;

(3) 中國電力行業企業文化成果優秀獎 from the China Electricity Council;

(4) 深圳市知識產權優勢企業 from the Shenzhen Intellectual Property Bureau and Shenzhen Copyright Bureau;

(5) Vehicle Terminal (WPC-1201) Product honored with "Golden Award, 2008 5th Product Creativity Design Award of Chinese enterprises" (2008年第五屆中國企業產品創新設計金獎) from the 中國企業產品創新設計獎組委員會;

(6) Embedded Intelligence Platform claimed the "深圳市科技創新專利優秀獎" presented by the Shenzhen Municipal Government;

(7) Long March Series Special Computer won the "深圳市科技創新產業文化獎" presented by the Shenzhen Municipal Government.

3. *Marketing and Management*

The Group operates a sales model with direct sales operation at the core and distributors to complement. With sales points in more than 40 cities in China, the nationwide sales and service network of the Group enables customers to buy "EVOC" products conveniently and enjoy timely and attentive services of the Group. As the Group sells directly to customers, it has been able to grasp the requirements of customers accurately to put out new products and technologies the market needs and thus shorten the time those new products and technologies can begin to bring returns to the Group. At the same time, the sales model gives the Group direct control over customer relations and how to respond to market changes, allowing it to maintain a stable and sustainable customer base.

APA products are not consumer products but parts in different kinds of terminal equipment, thus their characteristics are invisible to the end-users. During the period under review, the Group rolled out an "EVOC inside" marketing strategy, aiming to put the "EVOC inside" logo on all APA terminal products to raise end-user awareness and eventually a preference among end-users when they choose terminal equipment. Though brand promotion and shifting from technology-driven marketing to consumer-driven marketing, it hopes to influence consumer preference. This marketing strategy of the Group has historic significance to the APA industry, for it has brought high-end automation products from the back stage on to the front stage. The Group aspires to become a worldwide core APA product and equipment provider after INTEL, and the Board of Directors of the Group believes the "EVOC inside" plan marks the entry of the Group into the era of brand marketing. Since October, the "EVOC inside" logo has been incorporated into all strategic marketing aspects including sales, packaging, advertisement, public relations and internal and external communication.

The Group derives most of its revenue from the China market. According to statistics, the global APA market is about 5 to 6 times the size of the China market. Thus, the Group sees the overseas market as a potential new profit growth driver for its business. However, instead of a direct sale mode like the one used by the Group in the China market, the Group has to rely on distributors to sell to overseas markets so as to keep operating risks and investment of capital to the minimum. The Group plans to set up branch companies in the Middle East and other emerging overseas markets where APA product sales have shown significant growth recently, as well as work with international distributors with strong local selling capabilities. Furthermore, the Group will focus on developing world first products, which will allow it to snatch market share quickly, and it will also recruit local technical staff to render support services to customers in the different overseas markets.

Outlook and Prospects

The APA industry in China is growing and is expected to growth at accelerating rate in the future benefiting from traditional industries replacing old equipment and emerging industries equipping themselves with advanced information technology. In the future, the Group will shift from supplier of "hardware platform-based" products to a provider of solutions combining "a hardware platform, a software platform and a service platform". It will develop terminal products that agree with and enjoy good potential in the fast-growing APA industry.

As the Chinese government pushes forward with its policy to encourage development to proprietary products and technologies in the country including passing legislations that mandate purchase of local products first for major projects. Against such a backdrop, the Group expects to land a greater proportion of orders from the government in the futures. Currently, the main sources of income of the Group are the commercial, industrial, finance, energy and transportation sectors, typically with customers placing sizeable orders after they have tried out certain products and are satisfied with the result. The Board of Directors expects the Group to earn incomes in the next two years mainly from key industries such as railway transportation, coal mine safety, environment protection and 3G communication in the country.

Financial Review

Turnover

For the year ended 31 December 2008, the Group's turnover was approximately RMB1,211,090,000, representing an annual growth rate of approximately 101%. The increase was mainly due to strong demand of traditional APA's products and (auxiliary services business).

Turnover by product category

Sales of Products	**2008** ***RMB'000***	2007 *RMB'000*	Change *Percentage*
Board-type APA	**453,457**	268,132	+69%
Chassis-type APA	**311,846**	207,737	+50%
Remote data modules	**16,230**	12,797	+27%
APA products	**781,553**	488,666	+60%
Auxiliary services business	**429,557**	113,960	+277%
Total	**1,211,090**	602,626	+101%

Turnover by Geographical Location

Regions in China	**2008** *RMB'000*	2007 *RMB'000*	Change *Percentage*
North and Northeast China	**163,733**	114,722	+43%
East China	**109,489**	87,532	+25%
South China	**878,960**	362,289	+143%
Southwest China	**40,036**	23,382	+71%
Northwest China	**18,872**	14,701	+28%
Total	**1,211,090**	602,626	+101%

Gross Profit

The Group's gross profit for the year ended 31 December 2008 was approximately RMB303,421,000, representing an increase of approximately 31%. The gross profit margin decreased from approximately 38% to approximately 25%. The decrease in gross profit margin was mainly due to increase in auxiliary services business with a comparatively lower margin.

Other Income

The other income for the year ended 31 December 2008 amounted to approximately RMB57,354,000 (2007: RMB19,892,000), representing an income of approximately 188%. The increase was mainly due to increase in bank interest income.

Selling & Distribution costs

The selling and distribution cost for the year ended 31 December 2008 was approximately RMB50,759,000 (2007: RMB39,948,000).

Administrative Expenses

During the year under review, the total administrative expenses of the Group was approximately RMB97,180,000 equivalent to approximately 8% of the Group's sales in 2008. The administrative expenses to sales ratio was approximately 3% higher than that of the previous year due to the reclassification of selling and distribution cost and inclusion of amortization for the Wuxi project of approximately RMB29,889,000.

Research & Development costs

The research and development cost for the year ended 31 December 2008 was approximately RMB48,630,000 (2007: RMB36,259,000) which was included in other operating expenses, representing an increase of approximately 34%. The increase was mainly due to expansion of R&D team.

Financial Costs

Financial costs for the year ended 31 December 2008 amounted to approximately RMB48,031,000 (2007: RMB12,173,000), representing an increase of approximately 295%. The increase was mainly due to short term bank borrowings.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders for the year 31 December 2008 was approximately RMB113,262,000, while that of 2007 was approximately RMB154,433,000, representing a decrease of approximately 27%. The net profit margin also dropped from 26% to 8%. The drop was primarily due to amortization expenses of Wuxi project, additional depreciation expenses of EVOC Technology building and loss arising from valuation investment properties.

Liquidity, Financial Resources

The Group has maintained a sound financial position during the year 31 December 2008. As at 31 December 2008, the Group's cash and balance amounted to approximately RMB1,024,017,000. For the year ended 31 December 2008, net cash flow from operating activities of the Group amounted to approximately RMB186,994,000, the Group has maintained a sound cash flow position.

During the year under review, the Group obtained bank borrowings of RMB800,000,000 and repaid bank borrowings of RMB450,000,000. As at 31 December 2008, the total amount of bank borrowings payable within one year was approximately RMB588,000,000 (2007: RMB280,000,000).

Gearing Ratio

The Group gearing ratio, defined as the Group's total liabilities over the total assets, at 31 December 2008 was 51% (2007: 44%).

Foreign Exchange Risks

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. For the year ended 31 December 2008, the Group have not encountered any material difficulty due to current fluctuation not shortage of operating funds. For the twelve months ended 31 December 2008, the Groups have no significant exposure to foreign exchange fluctuation or hedging for such risk.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2008.

Investment in a Subsidiary

On December 2007, the Group acquired 51% interest of Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited. 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 approximately 5,600m^2 has been completed and ready to be put into services in this year. The piling works (1110 piles) for Prime New Plaza (comprising of two blocks of 21-storey office buildings), with an area of 95,000m^2 have been finished. Those buildings are ready for the ground construction works on the coming year.

The Pledge of Assets

At 31 December 2008, the Group has pledged certain of its property, plant and equipment, investment properties and lease prepayments having a total carrying amount of approximately RMB243,903,000 (2007: RMB253,763,000) as security for bank loan and general banking facilities granted to the Group. Except the above, there are no other charges on the Group's assets.

Capital Structure

Details of movements in the share capital of the Group during the year are described in note 11.

Significant Investment

The Group has not held any significant investment for the year ended 31 December 2008.

Human Resources

A breakdown of the number of Group employees by function as at 31 December 2007 and 2008 is set out below:

By function	2008	2007
Sales and marketing	**958**	807
Purchasing	**71**	40
R&D	**635**	238
Management	**65**	17
Accounting and Finance	**88**	71
Quality control	**86**	74
Production	**388**	505
Human resources and administration	**176**	202
Total (Staff)	**2,467**	1,954

During the year, the increase of headcount in sales and marketing, R&D and production departments were mainly due to expansion of business.

The Group provides ongoing training programs for employees to keep them abreast of the latest market trends and new APA technologies as well as to enhance their knowledge of national quality standards. The Group also provides different training programs to its senior management to ensure the highest management skills and techniques.

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.

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDERS INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director, supervisor or controlling shareholder of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 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 Family	70% 4.5%
Wang Rong (王蓉)	Shenzhen Yanxiang Wangke Industry Co., Ltd.	Beneficial owner Family	4.5% 70%

Note: Ms. Wang Rong (王蓉) is the spouse of Mr. Chen Zhi Lie (陳志列) and therefore Mr. Chen is taken to be interested in the shares held by Ms. Wang Rong (王蓉) and Ms. Wang Rong (王蓉) is deemed to be interested in the shares held by Mr. Chen by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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. *(Note)*	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 Zhi Lie 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 December 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 December 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 year, 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 December 2008, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2008, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealing and the code of conduct for directors' securities transactions during the year ended 31 December 2008.

COMPETING INTERESTS

None of the directors, initial management shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of the Company's shares during the year.

CAPITAL COMMITMENTS

As at 31 December 2008, the Group had a contracted but not provided for commitments amounting to approximately RMB198,589,000 (2007: RMB96,574,000) in respect of construction of a service outsourcing centre in Wuxi, the PRC and purchase of land lease prepayments.

CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members. The duties of the audit committee include:

1. Supervising the accounting and financial reporting procedure and reviewing the financial statements of the Group;

2. Studying carefully all proceedings proposed by the qualified accountant, compliance officers and auditors of the Group;

3. Examining and monitoring the internal control system adopted by the Group;

4. Reviewing the relevant work of the Group's external auditor.

Members of the audit committee possess high sense of responsibilities. They have contributed their times and efforts to ensure the board is more effective and objective.

The audit committee meets quarterly to review the reporting of financial and other information to shareholders, the effectiveness and objectivity of the internal control process, and also reviewed all the Group's annual report, half-yearly report, quarterly reports and announcements. The audit committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

By Order of the Board
EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED*
Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2009

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*