



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



2009

First Quarterly Report

** for identification purpose only*



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

GEM has been 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.

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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 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 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 assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

Revenue of the Group for the three months ended 31 March 2009 was approximately RMB204 million (2008: RMB183 million), representing an increase of approximately 11% as compared with the same period of last year.

Profit attributable to equity holders of the Company for the three months ended 31 March 2009 amounted to approximately RMB16.4 million (2008: RMB13.6 million), representing an increase of approximately 21% as compared with the same period of last year.

Earnings per share were approximately RMB0.013 (2008: RMB0.011) for the three months ended 31 March 2009.

The Directors do not recommend payment of dividend for the three months ended 31 March 2009 (2008: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Directors”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”), for the three months ended 31 March 2009, together with comparative unaudited results for the corresponding period in 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2009

	Notes	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Turnover	4	204,070	183,289
Cost of sales		(152,878)	(138,204)
Gross profit		51,192	45,085
Other income		17,311	9,984
Selling and distribution costs		(10,761)	(11,730)
Administrative expenses		(11,393)	(8,908)
Other operating expenses		(13,339)	(9,570)
Finance costs		(14,213)	(6,707)
Profit before taxation		18,797	18,154
Income tax	5	(2,470)	(4,554)
Profit for the year		16,327	13,600
Attributable to:			
Equity holders of the Company		16,454	13,646
Minority interests		(127)	(46)
		16,327	13,600
Dividend	6	—	—
Earnings per share — Basic	7	RMB0.013	RMB0.011

Notes:

1. CORPORATE INFORMATION

EVOC Intelligent Technology Company Limited (“the Company”) is a limited company incorporated in the People’s Republic of China (the “PRC”). The registered office of the Group is located at EVOC Technology Building, No.31 Gaoxinzongsi Avenue, Nanshan District, Shenzhen, the PRC.

2. PRINCIPAL ACTIVITIES

The Company and its subsidiaries (the “Group”) was principally engaged in the research, development, manufacture and distribution of Advanced Process Automation (“APA”) products in the PRC. APA 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. APA products manufactured and distributed by the Group are widely applied in areas of tele-communication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance, etc.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly results of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“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, 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 2008. They have been prepared under the historical cost convention, as modified for the revaluation of buildings and investment properties.

4. TURNOVER

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

5. INCOME TAX

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax, ("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, Shenzhen EVOC Software Technology Company Limited ("Shenzhen EVOC Software") and Shenzhen EVOC Xinteer Technology Company Limited ("Xinteer") can continue to enjoy the preferential tax rates during the transitional period. Shenzhen EVOC Software and Xinteer are subject to EIT rate of 20% (2008:18%) and Shenzhen EVOC Software is entitled to a 50% tax exemption (ie subject to a rate of 10%) in 2009 (2008:9%).

The Company, and the subsidiaries Beijing EVOC Xingye International Technology Company Limited, Shanghai EVOC Intelligent Technology Company Limited are recognized as high technology enterprise and therefore subject to a preferential income tax rate of 15%.

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 and 2009.

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 and 2009.

6. DIVIDENDS

The Directors do not recommend the payment of dividend for the three months ended 31 March 2009 (2008: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2009 is based on the unaudited profit attributable to shareholders of approximately RMB16,454,000 (2008: RMB13,646,000) and the 1,233,144,000 (2008: 1,233,144,000) ordinary shares in issue during the period.

Diluted earnings per share amount for the three months ended 31 March 2009 and 2008 have not been disclosed as no diluting events existed during these periods.

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Properties revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Attributable to equity holders of the Company <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2008	123,314	8,586	54,311	93,215	—	341,881	621,307	666,235	1,287,542
Profit for the period	—	—	—	—	—	13,646	13,646	(46)	13,600
At 31 March 2008	123,314	8,586	54,311	93,215	—	355,527	634,953	666,189	1,301,142
At 1 January 2009	123,314	8,586	64,033	74,398	565	445,421	716,317	650,196	1,366,513
Profit for the period	—	—	—	—	—	16,454	16,454	(127)	16,327
At 31 March 2009	123,314	8,586	64,033	74,398	565	461,875	732,771	650,069	1,382,840

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2009, the Group reported an unaudited revenue of RMB204,070,000 (2008: RMB183,289,000), representing an increase of 11% as compared with the same period last year, reflecting the continuous strong demand for the Group's products in favorable market conditions.

For the three months ended 31 March 2009, the Group recorded an unaudited net profit of RMB16,327,000 (2008: RMB13,600,000), representing an increase of 20% as compared with the same period last year. Gross profit margin was 25.1% as compared to 24.6% of the same period last year.

Business Review

During the review period, the Group continued to engage in research, development, manufacture and distribution of APA (Advanced Process Automation) products in the PRC, delivering on its commitment to enhancing and reforming traditional PRC industries, facilitating their fast development by using information technology and improving the quality of life of the Chinese people.

The Group offers over 380 APA products in three series and solutions tailored for a number of industries including railway transportation, coal mine safety, environmental protection, communications, commerce, industrial, finance, energy, military, video frequency control and Internet.

During the period under review, active fiscal policy and moderately relaxed monetary policy were implemented by the PRC government, and a RMB4 trillion economic stimulus package was also announced to support the real economy, encourage domestic consumption, thereby assure stable economic growth. Benefiting directly from those government measures, the Group recorded strong growth in its overall operating results. In addition to its core APA products, the Group continued to extend its product portfolio to include more system-integration solutions and value-added products, which are complementary to APA products. It also expanded the scope of its auxiliary services, allowing it to strengthen overall capability.

Product Categories

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

	Turnover			
	Three months ended 31 March			
	2009 (unaudited)		2008 (unaudited)	
	RMB'000	%	RMB'000	%
Board-type APA	83,385	40.9	76,445	41.7
Chassis-type APA	67,216	32.9	63,297	34.5
Remote data modules	3,577	1.8	3,319	1.8
APA products	154,178	75.6	143,061	78.0
Auxiliary services business	49,892	24.4	40,228	22.0
Total	204,070	100	183,289	100

Sales and Marketing

In Mainland China, the Group continues to operate on a sales model with direct sales operation marketing strategies. During the period under review, the Group adjusted its marketing system in the PRC and rejuvenated its management teams in major cities by recruiting high caliber people at competitive wages, upgrading after-sale services and increasing competitiveness. At the same time, the Group achieved smooth progress in overseas market expansion. Efforts to promote the "EVOC" brand gradually took effect in Europe, the Middle East, Russia and India. After preliminary surveying and preparation work was completed, the overseas market sales team of the Group started negotiation for overseas market agency and setting up of branch companies in major cities with promises of strong sales growth.

During the review period, the Group strengthened influence in the APA sector and the attractiveness of its products to the market through mounting marketing efforts including advertising in professional media, organizing industrial exhibitions, participating in technology exchange fairs, industrial application seminars, summit forums and customer association activities. Major activities initiated by the Group included the "EVOC inside 2009" National Roadshows and Chengdu Coal Mine Industrial Supervision Seminar 2009.

The Group advertised in over 30 professional media and over 20 online platforms, constantly putting the “EVOC inside” logo on the foreground. The Group also participated in the following exhibitions during the period:

1. “RTS Embedded Systems” in Paris;
2. “Hi-Technologies Israel 2009” in Israel;
3. “17th Convergence India 2009 International Exhibition” in New Delhi, India;
4. “HANNOVER MESSE 2009” in Germany;
5. “Embedded World 2009” in Germany;
6. “The 9th China West International Equipment Manufacturing Exposition” in Xian;
7. “International quality, National brand” Exhibition in China.

OUTLOOK AND PROSPECTS

Currently, China’s information technology construction is undergoing strategic transformation — industrial structures are being streamlined and products are taking on richer technological contents. Development of more technologically advanced APA (Advanced Process Automation) products, in particular, will be crucial to enhancing the “Made In China” brand and upgrading industrial applications will drive growth of traditional industries in the country. These developments are going to create tremendous market demands and in turn favorable development opportunities for the APA industry in China. Compared with Europe and the U.S., where APA is relatively better developed, China’s APA industry has more local features with its main drive coming from domestic demand. The Board believes market demand for APA products will remain strong in 2009.

To cater to the rapidly expanding APA market, the Group will focus on developing more advanced industrial applications for its products and also expanding the share of its application products in key industrial sectors, including energy (safety control of coal mines), transportation (railway transportation control), environmental protection (pollution sources monitoring) and 3G communications. Such endeavors will allow the Group to establish a strong foundation for expanding into other similar APA application areas. The Group will also continue to enlarge the EVOC Central Research Institute, strengthen interaction between and integration of research and development and marketing efforts, as well as adjust research and development strategy and direction based on market feedbacks, thereby maintain its leadership in technology and product innovation.

Heading development trends in the APA market and change in demand of key customers, the Group will continue to extend its production chain to cover research, development and sale of peripheral products. It will also strive to expand sales to overseas markets by establishing and perfecting its overseas marketing system and increasing export sales.

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

As at 31 March 2009, 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		Domestic Shares	90.90%	68.17%
		(Note 1)				
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		Domestic Shares	5.00%	3.75%
		(Note 2)				

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 Group 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 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 31 March 2009, 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 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 31 March 2009; and
- (ii) So far as is known to any director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 March 2009, 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 31 March 2009, the Group has not adopted any share option scheme or granted any option.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CAPITAL COMMITMENTS

As at 31 March 2009, the Group had a contracted but not provided for commitments amounting to approximately RMB264,708,000 (2008: RMB181,699,000) in respect of a service outsourcing centre in Wuxi, the 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 three months ended 31 March 2009, 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

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 auditor 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, PRC, 12 May 2009

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

* *For identification purpose only*