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: 2308)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

Turnover was approximately RMB1,277.2 million, representing an increase of approximately 7.2% as compared to 2009.

Profit attributable to owners of the Company amount to approximately RMB57.4 million, representing a decrease of approximately 26.6% as compared to 2009.

Earnings per share were approximately RMB0.047, representing a decrease of approximately 25.4% as compared to RMB0.063 in 2009.

RESULTS

The Directors are pleased to present the audited consolidated results of EVOC Intelligent Technology Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2010, together with the comparative figures for the corresponding year in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 RMB'000	2009 RMB'000
Turnover	4	**1,277,182**	1,191,698
Cost of sales		**(1,057,915)**	(941,364)
Gross profit		**219,267**	250,334
Other income	4	**63,398**	70,024
Selling and distribution costs		**(42,138)**	(48,297)
Administrative expenses		**(75,833)**	(81,201)
Other operating expenses		**(61,244)**	(55,395)
Other gains and losses	5	**(12,173)**	(8,258)
Finance costs		**(56,912)**	(63,294)
Profit before income tax	6	**34,365**	63,913
Income tax credit/(expense)	7	**4,136**	(1,130)
Profit for the year		**38,501**	62,783
Other comprehensive income, after tax			
Surplus on revaluation of buildings		**6,849**	5,522
Exchange differences on translating foreign operations		**166**	(40)
Release of statutory surplus reserve upon deregistration of a branch of the Company		**—**	(154)
Other comprehensive income for the year, net of tax		**7,015**	5,328
Total comprehensive income for the year		**45,516**	68,111
Profit attributable to:			
— Owners of the Company		**57,429**	78,167
— Non-controlling interests		**(18,928)**	(15,384)
		38,501	62,783
Total comprehensive income attributable to:			
— Owners of the Company		**64,444**	83,495
— Non-controlling interests		**(18,928)**	(15,384)
		45,516	68,111
Earnings per share — Basic and diluted	9	**RMB 0.047**	RMB 0.063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**437,124**	303,599
Investment properties		**95,183**	72,175
Payments for leasehold land held for own use under operating leases	10	**428,320**	1,012,989
Goodwill		**—**	24,470
Deferred tax assets		**2,719**	1,207
Total non-current assets		**963,346**	1,414,440
Current assets			
Inventories		**36,644**	92,299
Payments for leasehold land held for own use under operating leases	10	**12,652**	29,904
Trade receivables	11	**157,418**	128,200
Bills receivable	11	**54,931**	20,922
Other receivables, deposits and prepayments		**30,906**	29,442
Income tax receivable		**64**	25
Cash and bank balances		**1,279,692**	1,317,366
Total current assets		**1,572,307**	1,618,158
Current liabilities			
Trade payables	12	**109,038**	84,570
Bills payable	12	**18,035**	14,098
Other payables and accruals		**179,800**	280,802
Bank borrowings		**579,000**	446,000
Income tax payable		**842**	7,990
Total current liabilities		**886,715**	833,460
Net current assets		**685,592**	784,698
Total assets less current liabilities		**1,648,938**	2,199,138

	2010	2009
	RMB'000	*RMB'000*
Non-current liabilities		
Other payables and accruals	**5,000**	—
Bank borrowings	**362,828**	576,000
Deferred tax liabilities	**82,322**	188,514
Total non-current liabilities	**450,150**	764,514
NET ASSETS	**1,198,788**	1,434,624
CAPITAL AND RESERVES		
Share capital	**123,314**	123,314
Reserves	**740,942**	676,498
Equity attributable to owners of the Company	**864,256**	799,812
Non-controlling interests	**334,532**	634,812
TOTAL EQUITY	**1,198,788**	1,434,624

Notes:

1. CORPORATE INFORMATION

The Company is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The Group is principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products in the PRC.

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

(a) Adoption of new or revised HKFRSs — effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment-Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new or revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The adoption of amendment to HKAS 17 "Leases" had no material impact on the consolidation financial statements.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(1) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of this Interpretation has had no impact on the consolidated financial statements.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfer of Financial Assets[3]
Amendments to HKAS 12	Deferred tax — Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact on other new or revised HKFRSs and the directors so far concluded that the adoption these new or revised HKFRSs will have no material impact on the Group's financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

During the years ended 31 December 2010 and 2009, the Group principally operated in one reportable business segment only, which is the research, development, manufacture and distribution of APA products. All operating assets and business activities of the Group were located and conducted predominantly in the PRC.

The Group's revenue from external customers is principally derived from its operations in the PRC. The Group's customer base is diversified and there was only one external customer with whom transactions have exceeded 10% of the Group's revenue, representing turnover of approximately RMB223,341,000 (2009: RMB145,158,000).

4. TURNOVER AND OTHER INCOME

Turnover represents the invoiced value of goods sold and services provided to customers, net of estimated customer returns, rebates and other similar allowances and exclude value added tax.

	2010	2009
	RMB'000	*RMB'000*
Turnover		
Sales of APA products	**1,277,182**	1,191,698
Other income		
Bank interest income	**22,266**	22,347
Value-added tax ("VAT") concessions	**19,553**	21,171
Gross rentals from investment properties	**30,126**	21,121
Less: direct operating expenses (including repairs and maintenance) arising on rental income from investment properties	**(17,266)**	(13,716)
	12,860	7,405
Government subsidies	**3,435**	13,436
Sub-contracting income	**7**	2,311
Gain on deregistration of a branch of the Company	**—**	154
Sundry income	**5,277**	3,200
	63,398	70,024
Total revenue	**1,340,580**	1,261,722

5. OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of interests in leasehold land, net	**28,857**	—
Impairment loss on goodwill	**(24,470)**	—
Impairment loss on lease prepayment	**(16,958)**	—
Valuation gains/(losses) on investment properties	**398**	(8,258)
	(12,173)	(8,258)

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at charging/(crediting):

	2010 RMB'000	2009 RMB'000
Auditor's remuneration	**900**	700
Cost of inventories recognised as an expense	**1,057,915**	941,364
Depreciation of property, plant and equipment	**30,707**	32,514
Amortisation of payments for leasehold land held for own use under operating leases	**29,627**	29,904
Foreign exchange differences, net	**306**	832
Loss on disposal of property, plant and equipment, net	**375**	441
Impairment/(reversal of impairment loss) on trade receivables	**3,539**	(2,772)
Minimum lease payments under operating leases	**10,010**	12,643
Research and development costs	**48,254**	44,495
Staff costs (including directors' emoluments):		
Wages, Salaries, bonus and allowances	**57,982**	62,868
Contributions to retirement benefits schemes	**6,225**	5,961
	64,207	68,829

7. INCOME TAX CREDIT/(EXPENSE)

The amount of income tax credit/(expense) in the consolidated statement of comprehensive income represents:

	2010 RMB'000	2009 RMB'000
Current tax — PRC		
Provision for the year	**(4,862)**	(7,251)
(Under)/Over-provision in respect of prior year	**(1,390)**	1,239
	(6,252)	(6,012)
Deferred taxation		
Origination and reversal of temporary differences, net	**10,388**	6,738
Change in tax rate	**—**	(1,856)
	10,388	4,882
Total income tax credit/(expense)	**4,136**	(1,130)

In accordance with the PRC Enterprise Income Tax Law effective from 1 January 2008, certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward are entitled to 50% relief on the income tax in the following three years. Certain subsidiaries are still entitled to preferential tax treatments and gradually be subject to the new tax rate over a five-year transitional period to 2012. These subsidiaries are subject to income tax rates ranging from 11% to 25% (2009: 10% to 25%) during the reporting period.

Certain subsidiaries of the Company have been approved as new and high technology enterprise is entitled to a concessionary tax rate of 15%. These subsidiaries need to re-apply for the preferential tax treatment when the preference tax period expires.

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the years ended 31 December 2010 and 2009 as there were no estimated assessable profits arose for both years.

8. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the years ended 31 December 2010 and 2009.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation *(RMB'000)*	**57,429**	78,167
Weighted average number of domestic and H shares in issue	**1,233,144,000**	1,233,144,000
Basic earnings per share *(RMB)*	**0.047**	0.063

There was no dilutive potential domestic and H shares in issue during the reporting period, the amount of diluted earnings per share is the same as basic earnings per share for both years.

10. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

According to the announcement made by the Company dated 10 December 2010 in relation to the disposal of interest in land by a subsidiary, the land granted to this 51%-owned subsidiary has been reduced with a carrying value of approximately RMB560,962,000.

The Group has commenced the development of the remaining pieces of land with a site area of 215,221 square meters. The carrying value of this remaining pieces of land was approximately RMB381,000,000.

11. TRADE AND BILL RECEIVABLES

	2010 ***RMB'000***	2009 *RMB'000*
Trade receivables	**162,208**	129,451
Allowance for impairment losses	**(4,790)**	(1,251)
Trade receivables, net	**157,418**	128,200
Bills receivable	**54,931**	20,922
Total	**212,349**	149,122

Goods sold to customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranged from 30 days to 90 days, extending up to 180 days for major customers. Each customer has a maximum credit limit.

The ageing analysis of gross trade receivables at the end of the reporting periods, based on the invoice date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**139,840**	119,637
91 to 180 days	**14,651**	2,134
181 to 365 days	**2,547**	5,869
Over 1 year	**5,170**	1,811
Gross trade receivables	**162,208**	129,451

Bills receivable are with maturity of less than 6 months.

12. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**109,038**	84,570
Bills payable	**18,035**	14,098
	127,073	98,668

The following is the ageing analysis of trade payables:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**107,552**	81,014
91 to 180 days	**750**	608
181 to 365 days	**14**	159
Over 1 year	**722**	2,789
	109,038	84,570

Bills payable are with maturity of less than 6 months.

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, artificial intelligence, digitalization and automation. 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.

During the period, major economies worldwide have shown different degrees of recovery and growth after global financial tsunami. China's economy is set to sustain its recovery, particularly after the ultra-high surge in investment driven by the 4-trillion stimulation plan in 2009. In 2010, the overall investment in China will return to the normal track of growth, while the growth pace of IT industry will continue to rebound. In particular, investment in infrastructure focusing on energy (safety control of coal mines), transportation (railway transportation control), environmental protection (pollution sources monitoring), as well as the market size for 100-billion level terminal replacement brought by 3G mobile communication also maintain rapid growth, thereby providing the Group with a more extensive market and development opportunity. The Group has enhanced its market competitiveness via re-integration of internal management structure and structural adjustment, thereby achieving relatively satisfactory operating results during the period under review.

In 2007, the Group engaged in the construction and operation of service sub-contracting base project via the investment in 無錫深港國際服務外包產業發展有限公司 (formerly known as "Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited", hereunder "Wuxi Company"). During the period under review, the land planning for the service sub-contracting base project of Wuxi Company was changed by the Wuxi Land Resources Administration Bureau to include the construction of a runway across the middle of the land of width of more than 80 meters. Such construction has an adverse effect on the development of the land as it cuts the land into more segments which will affect the optimal usage of the land by the Wuxi Company. As a result, the Wuxi Company has been in negotiation with the Wuxi Land Resources Administration Bureau on the modification of the site area of the land from approximately 518,564 square meters to 215,221.1 square meters (i.e. decrease by approximately 303,342.9 square meters), and thus the total land premium payable by Wuxi Company to Wuxi Land Resources Administration Bureau for the land was changed from RMB362,000,000 to RMB150,220,000. Accordingly, the total contribution of the Group to Wuxi Company was changed from RMB717,898,100 to RMB396,205,100. The existing equity interest of the Group in the Wuxi Company will not be affected by the said reduction, and that such reduction will provide a saving of RMB321,693,000 to the Group, and the Group will have more working capital and cashflow for the development of its core business and other business. Upon considering the above factors, the Board is of the view that the above changes are in the interest of the Group and the shareholders as a whole.

Result of the year

The Group recorded a turnover of approximately RMB1,277,182,000 and a profit for the year of approximately RMB38,501,000 for the year ended 31 December 2010. The Group's core business and production were stable with a decrease in its profit margin as compared with that of last year due to increase in auxiliary business with a comparatively lower margin. The Group's profit attributable to owners of the Company was approximately RMB57,429,000. The decrease was mainly attribute from impairment loss in lease prepayment and impairment of goodwill on Wuxi project. The Group has continued focusing on research and development on new products. The management believes the new products will have good contribution to the Group in the coming future.

Research & Development

Riding on its core competitive strategies of "applying innovative proprietary capabilities to develop its own brands", the Group has been ahead of its competitors on product development and technology innovation, and has sustainable development capability to sustain steady growth in results. In 2010, the Group's spending in R&D accounted for approximately 3.9% of the total turnover, while acquiring the qualification for contracting INTEL CRB projects in the same period. The Group focused on R&D of the following new products during the period under review: high-performance embedded single board; green terminal TSC-2001 data acquisition and transmission apparatus; Communication manager TPS-CMU2001-8D; Micro-portable CPCI system; EVOC Patent Mainline Technology Series Computer Products (EVOC 專利總線技術系列整機); Multimedia Distribution Machine with low energy consumption and without fan (低功耗無風扇多媒體發佈專用機). The above products were all developed aiming at the demand for the application of APA market and its development trend, which possess a stronger application characteristics for different industries and better life cycle.

During the period, the construction of the Group's R&D/interim testing base in Shenzhen, China achieved good progress, and will be ready for use by 2012 as scheduled. With a site area exceeding 80,000 square meters and a gross floor area of 230,000 square meters, the R&D/interim testing base will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products. The Group has currently established the R&D structure comprising of one institute and four centers (Technology Institute, Shenzhen R&D Center, Beijing R&D Center, Shanghai R&D Center and Xian R&D Center). Upon the opening of the R&D/interim testing base, the Group will undergo further integration on its R&D structure in accordance with its development strategy and business plan, whereby the Group's R& D capabilities will probably be significantly strengthened and its overall market competitive edges will also be effectively enhanced.

Products and sales

The Group offers APA products in three series and solutions tailored for a number of industries. The APA products manufactured and sold by us are widely applied in railway transportation, coal mine safety, environmental protection, communications, commerce, industrial sector, finance, energy, military, video frequency control and Internet.

The Group will continue to adopt a marketing strategy and sales model with direct sales operation at the core and distributors to complement in the Mainland China. During the period under review, on the back of its three-dimensional distribution model formulated with industry sales, regional sales and product line sales as the core components, the Group has achieved excellent sales results and successfully captured market shares amidst the economic downturn. Upgrading and transformation of industry in China will soon replace infrastructure and become the main driver of the growth in demand for APA products. The Group has achieved good progress in the market exploration of railway transportation and 3G communication markets in China, and the value added in products has been raised gradually and become the major driving force for the growth of our high-end automation business.

During the period under review, the Group has commenced CRM (Customer Relationship Management) project, under which, customers are classified in accordance with their needs for the Group to provide differentiated customer strategies customized for respective groups. Such project could raise customer's loyalty and maintenance, reduce sales cycle, lower selling costs, increase income and expand market, thereby enhances the Group's profitability and market competitiveness entirely.

The "EVOC" trademark of the Group was identified as "Famous Trademark of China" by the State Administration for Trade and Industry, which is also the first famous trademark obtained by advanced process automation enterprise in China. The trademark enhanced the international influence for the "EVOC" trademark of the Group, and the effective protection of the Group's proprietary intellectual property rights and trademark brands. Over the same period, the Group was honored as "Most Recognized Knowledge-based Enterprise Ranking"as well as "Innovative Pilot Enterprise" and "New Brand in a Decade" by "Zhongguancun National Innovation Model Park".

Outlook & Prospects

As an evolving, innovative and popular field, APA covers the application of various technologies, including microelectronic technology, electronics information technology and computer software and hardware. Amidst the swift recovery of global information industry and the rapid development of various applications in respect of customer electronics, communication and automatic control system, the scale of global APA industry will maintain steady growth. With the fast development of Internet and introduction of new micro-processors, automatic control system will be extensively applied in diversified industry and various daily commodities in the future, and completely integrate into and change our daily life. In addition, the construction of information technology in China also induces tremendous demand on the APA product market.

The Board of the Group believes: APA industry can not only stimulate consumption but also achieve the requirements for industrial structure upgrading. Under the combined influence of the warming in the business environment and the industrial structure adjustment in China and a macro-policy environment for the promotion of consumption, APA industry will usher in a new round of great development. Some brands with strong strength will capture an even broader market. The Group will continue to take the initiatives to leverage on our strengths and resources, and adhere to our strategy involving in proprietary brand, technological innovation and overseas markets, and keep on strengthening its own core competition and expanding its business scale and profitability with an aim to consolidate our leading position in APA application and development in China.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, the Group's turnover was approximately RMB1,277,182,000 representing as increase of approximately 7.2% as compared to 2009.

Turnover by product category

Sales of Products	**2010**	2009	Change
	RMB'000	*RMB'000*	*Percentage*
Board-type APA	**398,231**	418,231	-4.8%
Chassis-type APA	**318,475**	314,665	+1.2%
Remote data modules	**18,503**	18,483	+0.1%
APA products	**735,209**	751,379	-2.2%
Auxiliary services business	**541,973**	440,319	+23.1%
Total	**1,277,182**	1,191,698	+7.2%

Turnover by Geographical Location

Regions in China	**2010**	2009	Change
	RMB'000	*RMB'000*	*Percentage*
South China	**862,543**	810,145	+6.5%
North and Northeast China	**194,780**	164,922	+18.1%
East China	**94,317**	111,032	-15.1%
Southwest China	**27,176**	26,964	+0.8%
Northwest China	**21,053**	16,426	+28.2%
Export sales	**77,313**	62,209	+24.3%
Total	**1,277,182**	1,191,698	+7.2%

Cost of Sales

Cost of sales amounted to approximately RMB1,057,915,000, representing an increase of approximately 12.4%. The increase was mainly due to the increase in the price of raw materials and parts components.

Gross Profit

The Group's gross profit for the year ended 31 December 2010 was approximately RMB219,267,000, representing a decrease of approximately 12.4%. The gross profit margin decreased from approximately 21.0% to approximately 17.2%.The decrease in gross profit margin was mainly due to increase in sales from auxiliary business with a comparatively lower margin.

Other Income

Other income for the year ended 31 December 2010 amounted to approximately RMB63,398,000 (2009: RMB70,024,000), representing a decrease of approximately 9.5%. The decrease was mainly due to the decrease in value-added tax concessions and government subsidies.

Selling & Distribution Costs

The selling and distribution expenses were approximately RMB42,138,000 and RMB48,297,000 for current and previous period respectively, equivalent to approximately 3.3% and 4.1% of the Group's turnover in 2010 and 2009. The decrease was mainly attributable by the implementation of cost control on sales team in 2010.

Administrative Expenses

The administrative expenses were approximately RMB75,833,000 in 2010, representing a decrease of RMB5,368,000 or 6.6 % from about RMB81,201,000 in 2009. The decrease was mainly attributable by the implementation of cost control on general administrative expenses.

Research & Development Costs

The research and development cost was approximately RMB50,000,000 equivalent to approximately 3.9% of the Group's turnover in 2010. The research and development costs increased by approximately 0.7% from RMB49,664,000 equivalent to 4.2% of the Group's turnover in 2009.

Finance Costs

Finance costs were approximately RMB56,912,000 in 2010, slightly decreased by approximately 10.1% from RMB63,294,000 in 2009. The decrease was mainly attributable to the repayment of bank borrowings during the year.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB57,429,000, while that of 2009 was approximately RMB78,167,000, representing a decrease of approximately 26.5%. The net profit margin has been dropped from 6.5% to 4.5%. The decrease was mainly attributable from approximately RMB17 million and RMB24 million impairment loss on lease prepayment and goodwill respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internally resourced and externally banking facilities from bankers in the PRC. As at 31 December 2010, the Group's gearing ratio were 52.7% (calculated on the basis of the Group's total liabilities over total assets) which was at similar level as previous year. At the year end date, the Group's total bank borrowings amounted to approximately RMB942 million (2009: RMB1,022 million). The Group's cash and bank balances as at 31 December 2010 decreased to approximately RMB1,280 million (2009: RMB1,317 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) decreased to 1.77 as at 31 December 2010 (2009: 1.94).

FOREIGN EXCHANGE EXPOSURES

Since most of the transactions of the Group were denominated in Renminbi, the Group did not expose to any material foreign currency risk on its operations during the year under review.

CONTINGENT LIABILITIES

The Group has no contingent liabilities at 31 December 2010.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had authorised but not contracted for and contracted but not provided for were approximately RMB810,095,000 (2009: RMB556,004,000) and RMB399,361,000 (2009: RMB48,144,000) respectively, in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of production plants, office and research and development building and staff quarters in Guangming, Shenzhen, the PRC.

PLEDGE OF ASSETS

At 31 December 2010, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximately RMB602,281,000 (2009: RMB296,817,000) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

MATERIAL EVENT

The Company transferred from the GEM to the Main Board of the Stock Exchange on 12 July 2010. The transfer of listing will not involve the issue of any new shares of the Company.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had total workforce of 1,706 (2009: 1,932). Employee benefits during the year were RMB64 million.

The Group recognises the importance of high caliber and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are mainly in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. 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.

COMPETING INTERESTS

None of the Directors, initial management shareholders or substantial shareholders or any of their respective associates (as defined in the Listing Rules) had any interests in any business which compete or is likely to compete with the business of Group, and none of them has other conflicts of interest with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 of the Listing Rules without any deviation. None of the Directors is aware of any information that would reasonably suggest that the Company is not or was not in compliance with the Code at any time during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period from 1 January 2010 to 31 December 2010.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Wang Zhao Hui and Mr.An Jian. Mr. Ling Chun Kwok is the chairman of the audit committee. The rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 2010.

REMUNERATION COMMITTEE

The remuneration committee consists of one executive director, Mr. Zhu Jun. and two independent non-executive directors. Mr. Wang Zhao Hui and Mr.An Jian. Mr. Wang Zhao Hui is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the Company's website at www.evoc.com. The annual report of the Company for the year ended 31 December 2010 will also be published on the aforesaid websites in due course.

DIRECTORS

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. Ling Chun Kwok, Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian.

APPRECIATION

The Board would like to thank our shareholders, customers, suppliers, bankers and professional advisers for their support of the Group and to extend our appreciation to all our staff for their dedication and contributions throughout the year.

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

Shenzhen, the PRC, 30 March 2011

* *For identification purpose only*