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**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)**

**(I) DISCLOSEABLE TRANSACTION RELATING TO THE  
DISPOSAL OF INTEREST IN THE LAND BY A SUBSIDIARY  
AND**

**(II) REDUCTION OF CAPITAL CONTRIBUTION IN A SUBSIDIARY**

**DISPOSAL OF INTEREST IN THE LAND BY A SUBSIDIARY**

On 10 December 2010, the Supplemental Land Contract was entered into between the Wuxi Company and the Wuxi Land Resources Administration Bureau to amend the site area of the Land from approximately 518,564 square meters to 215,221.1 square meters (being a reduction of approximately 303,342.9 square meters), and the total land premium payable by the Wuxi Company to the Wuxi Land Resources Administration Bureau for the Land has accordingly been amended from RMB362,000,000 to RMB150,220,000.

As all of the applicable percentage ratios for the Supplemental Land Contract are more than 5% but all of them are less than 25%, the Supplemental Land Contract constitutes a discloseable transaction for the Company under the Listing Rules.

**REDUCTION OF CAPITAL CONTRIBUTION IN A SUBSIDIARY**

On 10 December 2010, the Company entered into the New Agreement with Feng Shui Long and the Wuxi Company, pursuant to which the amount of capital contribution by the Company to the Wuxi Company shall be amended from the original amount of RMB717,898,100 to RMB396,205,100. For the avoidance of doubt, the reduction in the amount of contribution by the Company to the Wuxi Company will not affect the Company's existing equity interest of 51% in the Wuxi Company, and the Wuxi Company will continue to be a subsidiary of the Company.

## **BACKGROUND**

Reference is made to the VSA Announcement and the VSA Circular, in which it was disclosed that, among other things, the Company entered into the Agreement with Feng Shui Long which constituted a very substantial acquisition and a connected transaction for the Company under the GEM Listing Rules. Capitalised terms used in this announcement shall have the same meaning as those defined in the VSA Circular unless otherwise stated.

Under the Agreement, the Company agreed that it shall contribute a total of RMB717,898,100 to the Wuxi Company, a subsidiary owned as to 51% by the Company, for the development of the Land of approximately 518,564 square metres and to pay the outstanding land premium of the Land. As previously disclosed by the Company, the land use right in respect of the Land was transferred to the Wuxi Company from Feng Shui Long pursuant to the supplemental contract to the Contract, which was entered into between the Wuxi Land Resources Bureau, Feng Shui Long and the Wuxi Company dated 7 December 2004. The condition precedents under the Agreement has already been satisfied and the Agreement has already been completed in 2009. As disclosed in the 2009 annual report of the Company, the Group has already commenced the development of two pieces of the Land with a total area of approximately 215,221.1 square meters and has already obtained the relevant land use right certificates extending to 7 December 2044.

The land planning of the Land has been recently 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 treatment of the Land, and the land premium of RMB220,250,000 for the total area of approximately 303,342.9 square metres of the Land, has not been paid yet and such site area has not yet been developed. Please also refer to the VSA Circular for further information concerning the Land.

## **DISPOSAL OF INTEREST IN THE LAND BY A SUBSIDIARY**

### **The Supplemental Land Contract**

After certain negotiations between the Wuxi Company and the Wuxi Land Resources Administration Bureau concerning the treatment of the Land, on 10 December 2010, the Supplemental Land Contract was entered into between the Wuxi Company and the Wuxi Land Resources Administration Bureau to amend the site area of the Land from approximately 518,564 square meters to 215,221.1 square meters (being a reduction of approximately 303,342.9 square meters), and the total land premium payable by the Wuxi Company to the Wuxi Land Resources Administration Bureau for the Land has accordingly been amended from RMB362,000,000 to RMB150,220,000. Such amount of RMB150,220,000 has already been paid up by the Wuxi Company. Both the Wuxi Company and the Wuxi Land Resources Administration Bureau agreed in the Supplemental Land Contract that there has not been any breach of the Contract by either party.

As at 31 December 2007, the book value of the Land (with its original site area of 518,564 square meters) was RMB362,000,000. As disclosed in the VSA Circular, the capital value of the Land (with its original site area of 518,564 square meters) as at 30 June 2007 was RMB914,750,000, which was valued by American Appraisal China Limited, an independent valuer, assuming the relevant land premium has been fully paid and land use rights certificate has been obtained and the cost of the Land of RMB362,000,000.

As at 30 November 2010, the book value of the Land (with the site area of 215,221.1 square meters) was RMB150,200,000.

The decrease in the amount of land premium of RMB362,000,000 to RMB150,220,000 payable to the Wuxi Land Resources Administration Bureau is more or less proportional to the decrease in the site area of the Land from 518,564 square meters to 215,221.1 square meters.

## **REDUCTION OF CAPITAL CONTRIBUTION IN A SUBSIDIARY**

### **The New Agreement**

As a result of the entering into of the Supplemental Land Contract by the Wuxi Company and the Wuxi Land Resources Administration Bureau, on 10 December 2010, the New Agreement was entered into between the Company, Feng Shui Long and the Wuxi Company, pursuant to which the total amount of capital contribution to be made by the Company under the Agreement shall be amended from RMB717,898,100 to RMB396,205,100 (which represents the 51% shareholder's equity of the Company in the Wuxi Company and net asset value of the Wuxi Company at a slight premium). As at the date of this announcement, the Company has already contributed RMB156,122,400 to the Wuxi Company pursuant to the Agreement.

All parties to the New Agreement agreed and acknowledged in the New Agreement that there has not been any breach of the Agreement by any party. Save for those amended by the New Agreement, all terms in the Agreement remain unchanged.

For the avoidance of doubt, the reduction in the amount of contribution by the Company to the Wuxi Company under the New Agreement will not affect the Company's existing equity interest of 51% in the Wuxi Company, and the Wuxi Company will continue to be a subsidiary of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SUPPLEMENTAL LAND CONTRACT AND THE NEW AGREEMENT**

As there is a change in the planning of the Land by the Wuxi Land Resources Administration Bureau mentioned above, it is not considered commercially feasible for the Group to continue holding and developing the whole of the 518,564 square metres of the Land. Therefore, after various negotiations between the Wuxi Company and the Wuxi Land Resources Administration Bureau, it has been decided (as reflected in the Supplemental Land Contract) that the land use right in respect of the site area of approximately 303,342.9 square meters of the Land, which has not yet been developed, shall be returned to the Wuxi Land Resources Administration Bureau. Accordingly, the amount of contribution to be made by the Company under the Agreement has been amended to RMB396,205,100 pursuant to the New Agreement.

As the land premium for the site area of approximately 303,342.9 square metres of the Land to be returned to the Wuxi Land Resources Administration Bureau has not yet been paid by the Group, the Group will not record any gain or loss from the return of such portion of the Land to the Wuxi Land Resources Administration Bureau under the Supplemental Land Contract.

Since the existing equity interest of the Company 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 Company, and the Group will have more working capital and cashflow for development of its core business and other business without affecting the Company's current level of equity interest in the Wuxi Company.

As such, the Board is of the view that the terms of each of the Supplemental Land Contract and the New Agreement are fair and reasonable, and the entering into of the same is in the interest of the Group and the shareholders of the Company as a whole.

## **GENERAL INFORMATION**

The Group is principally engaged in the research, development, manufacture and distribution of 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.

The principal activities of the Wuxi Company are property development and sales.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Wuxi Land Resources Administration Bureau is third party independent of the Company and its connected persons as defined under the Listing Rules.

## **LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios for the Supplemental Land Contract are more than 5% but all of them are less than 25%, the Supplemental Land Contract constitutes a discloseable transaction for the Company under the Listing Rules.

## **DEFINITIONS**

Unless otherwise defined, the following expressions have the following meanings in this announcement:

“APA”	Advanced Process Automation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Agreement”	the agreement entered into between the Company, Feng Shui Long and the Wuxi Company, pursuant to which the total amount of contribution to be made by the Company to the Wuxi Company under the Agreement has been amended from RMB717,898,100 to RMB396,205,100, particulars of which are disclosed in this announcement

“Supplemental Land Contract”	關於錫國土出合 (2004) 第7號《無錫市國有土地使用權出讓合同》的補充合同 (the Supplemental Contract to the State-owned Land Use Rights Grant Contract (Supplemental Contract to the Xi Guo Tu Chu He (2004) No. 7)) dated 10 December 2010 entered into between the Wuxi Land Resources Bureau and the Wuxi Company, particulars of which are disclosed in this announcement
“VSA Announcement”	the announcement of the Company dated 14 August 2007 in relation to the Agreement
“VSA Circular”	the circular of the Company dated 21 September 2007 in relation to the Agreement
“Wuxi Company”	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*), a company incorporated in the PRC, and a subsidiary owned as to 51% by the Company

By order of the Board  
**EVOC Intelligent Technology Company Limited\***  
**Chen Zhi Lie**  
*Chairman*

Shenzhen, the PRC, 10 December 2010

*As at the date of this announcement, the Board of directors of the Company is comprised of Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun as executive directors; Mr. Ling Chun Kwok, Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian as independent non-executive directors.*

*In this announcement, the English names of the PRC entities are translation of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

\* *For identification purpose only*