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 Annual 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

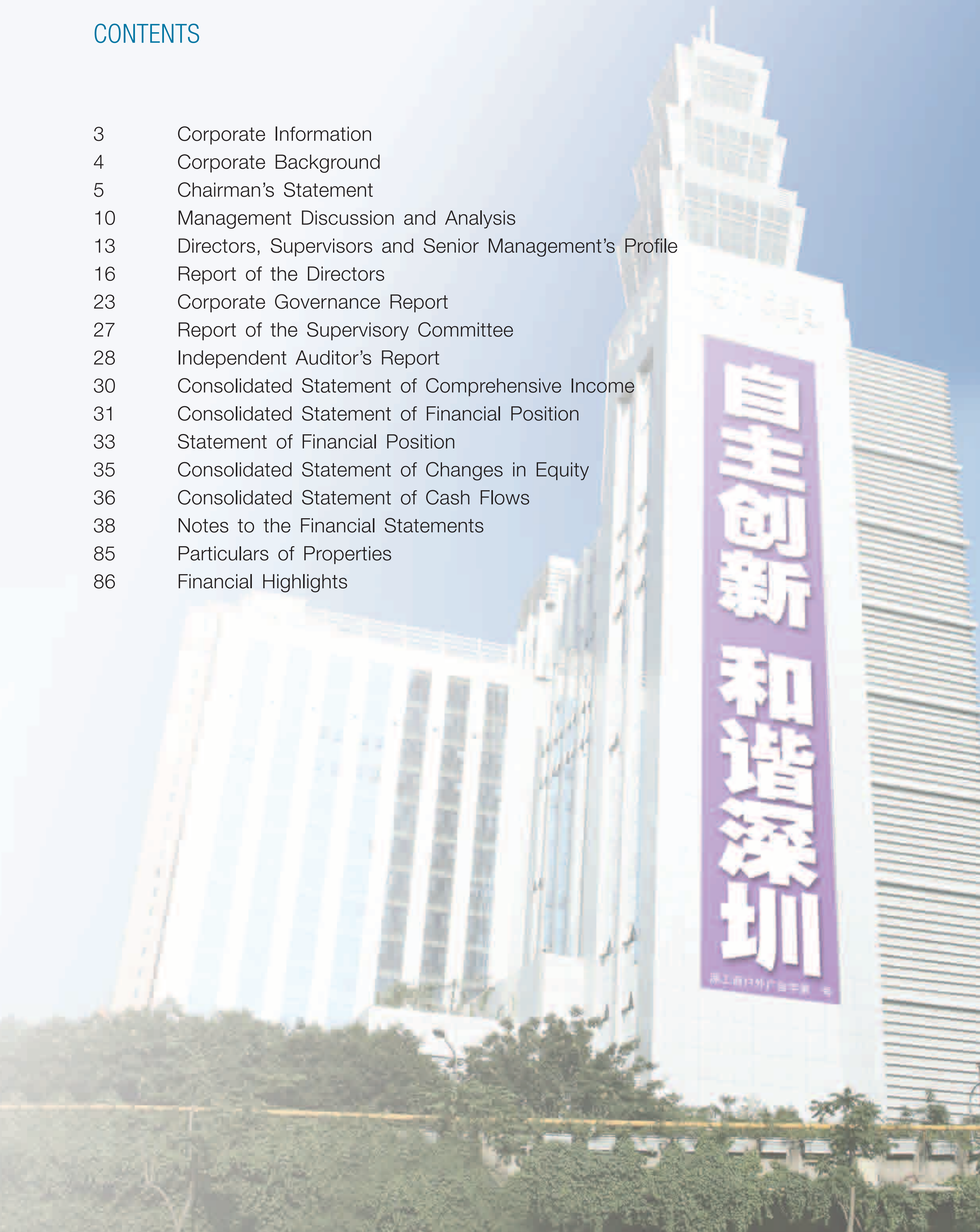
This report, for which the directors of EVOC Intelligent Technology Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("GEM Listing Rules") 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.

Gambling Solution

Electricity Supply Solution

Motor Vehicle Industrial Solution

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Chen Zhi Lie *(Chairman)*
Tso Cheng Shun
Zhu Jun

Independent non-executive directors
Wang Tian Xiang
Dai Lin Ying
Wang Zhao Hui
An Jian

SUPERVISORS

Pu Jing *(Chairperson)*
Zhan Guo Nian
Zhang Zheng An

COMPLIANCE OFFICER

Zhu Jun

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen *CPA, FAIA*

AUTHORIZED REPRESENTATIVES

Chen Zhi Lie
Tsui Chun Kuen *CPA, FAIA*

MEMBERS OF THE AUDIT COMMITTEE

Wang Tian Xiang *(Chairperson)*
Wang Zhao Hui
An Jian

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

Wang Zhao Hui *(Chairperson)*
An Jian
Zhu Jun

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

EVOC Technology Building
No. 31, Gaoxinzhongsi Avenue,
Nanshan District, Shenzhen
PRC

LIAISON OFFICE IN HONG KONG

Unit No. 1014
10th Floor, Star House
3 Salisbury Road
Tsimshatsui
Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
25th Floor Wing On Centre,
111 Connaught Road Central,
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China
Shenzhen Branch
F4–8, 1st Floor
Tianji Building
Tian An Industrial Area
Shenzhen
PRC

LEGAL ADVISER TO THE COMPANY

Commerce & Finance Law Offices
1405, Tower B, Shen Fang Plaza,
3005 Ren Min Nan Road,
Shenzhen 518001
PRC

COMPANY HOMEPAGE/WEBSITE

http://www.evoc.com

GEM STOCK CODE

8285

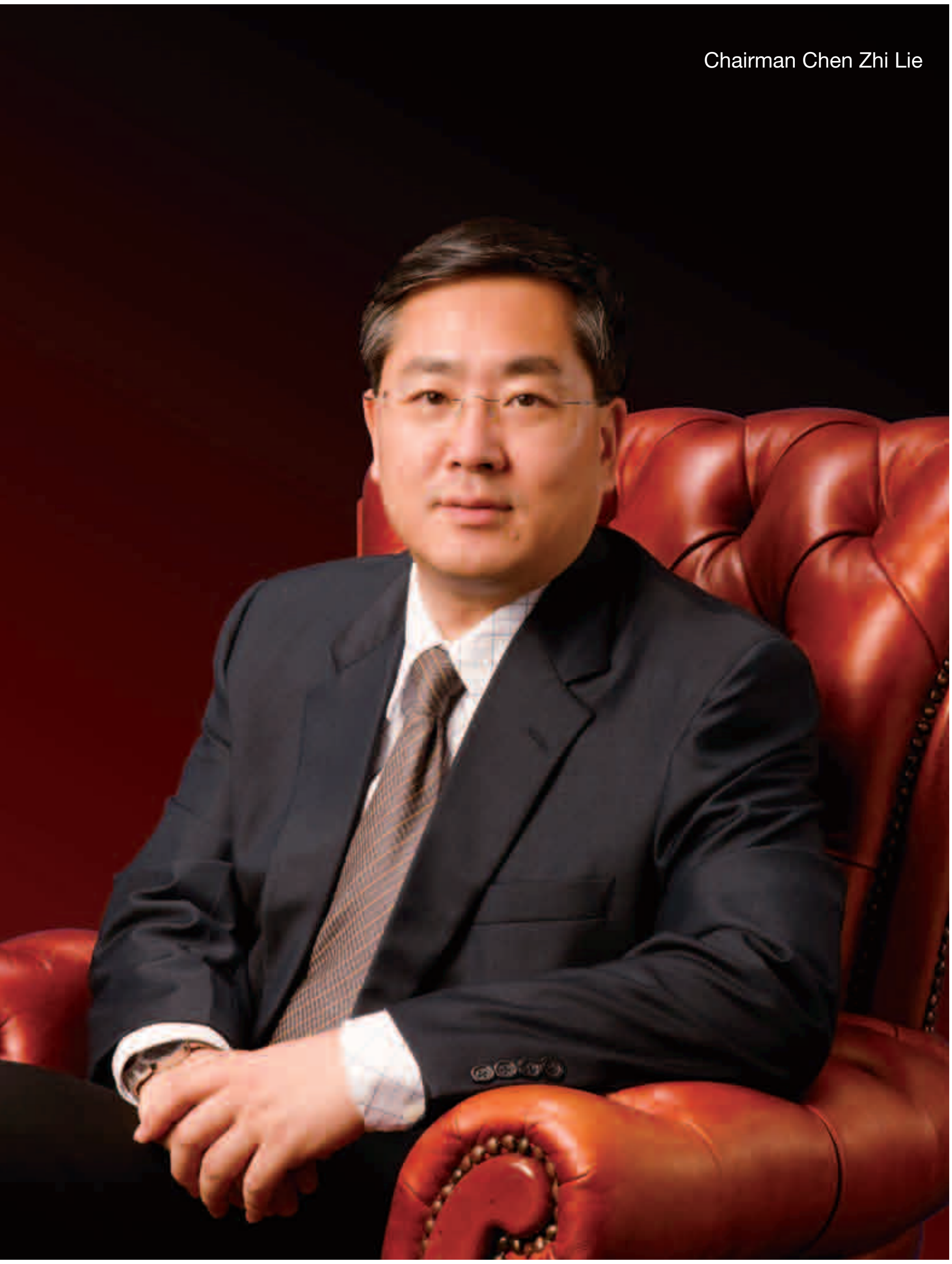
CORPORATE BACKGROUND

EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM of the Stock Exchange of Hong Kong on 10 October 2003 (the "Listing"). The Company and its subsidiaries (the "Group") are principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products. As at 31 December 2009, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB3 billion.

The Group is one of the leading domestic manufacturers of APA products in the PRC. APA is a computer system allowing users to adapt 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, among other, telecommunication, industrial, military, electricity generation, video frequency control, transportation, internet, commerce and finance industries. The Group offers over 390 APA products, which can be broadly classified by their distinctive functions and features into three categories, chassis-type APA products, board-type APA products and remote data modules.

The Group has established an extensive distribution network through its subsidiaries, branches, offices, representative offices and about sales agents spread out across various provinces and autonomous regions in the PRC. Over 5,000 customers of the Group include authorized distribution agents, system integrators, construction and building surveillance agents, software developers and IT manufacturers in the PRC.

CHAIRMAN'S STATEMENT



Chairman Chen Zhi Lie

Oil Industrial Solution

ATM Solution

Water Electricity Power Solution

Rail Transit Solution

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS,

On behalf of the board of directors, I am pleased to present the annual report of EVOC Intelligent Technology Company Limited ("EVOC" or our "Group" or the "Group") for the year 2009 to our shareholders. The Group engages in the research and development, manufacture and distribution of Advanced Process Automation ("APA") products since 1993 with a 17-year history of continuous operation. According to a research report from CCID Consulting Co., Ltd., EVOC is the only China enterprise among the top five manufacturers in China APA market, ranking No.2 by market share.

During the period under review, the Chinese government showed great determination and executed positive actions in response to the financial tsunami. It implemented a proactive fiscal policy and a moderately loose monetary policy, and arranged RMB4 trillion of investment in the economic stimulus plan and a series of related measures to support the real economy, effectively promoting China's steady economic growth. The Ten Industry Revitalization Planning (including iron and steel, automobile, textile, equipment manufacturing and petrochemical) gave APA products huge market opportunities for development. The Group through continuous adjustment of the market structure and EVOC brand appeal strived to eliminate various adverse effects of the financial crisis and turned it into successful business opportunities and achieved satisfactory operating performance.

RESULT OF THE YEAR

The Group recorded a turnover of approximately RMB1,191,698,000 and a profit for the year of approximately RMB62,783,000 for the year ended 31 December 2009. 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 sales declined in board-type APA business. However, the Group has started focusing on overseas markets. The management believes the overseas market will have good contribution in the coming future.

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.

During the period under review, the rapid development of information technology in China, especially the upgrade of fundamental industries such as energy, railway transportation and environment assessment, and the construction of 3G communications network, has presented APA products greater market potential. The Group provides products with technology and services that meet requirements of China market, especially under the policy of the Chinese government encouraging priority purchase of proprietary products and technologies locally made by domestic enterprises. 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 under review, the Group has had more purchase orders from the government as compared with last year.

CHAIRMAN'S STATEMENT

During the period under review, leveraging on the opportunity for technological upgrade due to China's 3G communications network construction, the Group obtained orders in 3G communications network construction. Focusing on customer needs, the Group continued to expand the scale of business operation of the value-added products for APA supporting system and the related complementary business during the period under review in order to enhance the overall strength of the Group.

Wuxi SHIOC International Commercial Center of the service outsourcing base under the project of Wuxi SHIOC International Outsourcing Industry Development Company Limited in Wuxi has been topped up, and the Prime New Plaza is also in construction progress.

1. Research & Development

After many years of development, the Group has gradually established and improved its R&D regime. It now has 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. Heeding the more obvious development trend of APA product application industry, the Group's R&D department developed customized solutions for different industries taking into account of the market feedbacks from the marketing department so as to satisfy different design requirements for APA products based on application features of different industries.

During the period under review, the construction of the new R&D/interim testing base in Shenzhen officially commenced. The new base is expected to occupy a site area exceeding 80,000 sq. m. and will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products. The base, upon completion, will further strengthen the Group's R&D capabilities, shortening product life cycles and enhance our market competitiveness.

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 2009, the Group's spending in R&D accounted for approximately 4.2% of the total turnover. Heeding the development trend of the APA industry, the Group focused on R&D of the following new products: EVOC Self-defined Reinforced PCI-ISA Industrial Computer Mainline Series Products (EVOC自定義加固型PCI-ISA工業計算機總線系列產品); Compact PCI Platform Product (Compact PCI平台產品); High-performance Reinforced Computer Product (高性能加固計算機產品); Automatically-Controlled Communication Management Equipment (自動化控制通信管理設備), AFC system products for use in metro railway; testing and control system products for electricity use; broadcasting system products for use in advertising; supervision and control system products for use in transportation.

2. Products & Services

The Group offers over 390 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, finance, energy, military, video frequency control and Internet.

As the Group continued to expand its business segments in a swift manner, it adjusted its internal management structure in order to streamline the information dissemination within the corporation, and enable effective enforcement of the Group's decisions. Meanwhile, efforts were enhanced in training newly-recruited employees to enable them to quickly grasp our corporate culture, and secure the rapid and steady development of the Group.

CHAIRMAN'S STATEMENT

During the period under review, the Group was recognized as an Enterprise Having Harmonious Staff Relationship in Shenzhen 2008 (2008年度深圳市勞動關係和諧企業) and thus enjoyed priority services from Shenzhen Government in terms of channeling skilled labour and undergoing social insurance matters and also enjoyed locally the various preferential policies on human resources.

3. Marketing and Management

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, the Group has adjusted its domestic marketing system to focus on strengthening its city management team by recruitment, in order to generally enhance after-sales service and market competitiveness. During the period under review, the Group has adjusted the original market structure for the APA based on it market features, restructured the product division based on product characteristics and consolidated the relationship between industry sales, regional sales and product line by formation of a three-dimensional distribution model. At present, the Group has set up sales outlets in more than 40 cities in China, capitalizing on the Group's geographical advantages, so that the Group's customers can conveniently buy "EVOC" products and enjoy timely and good services.

While the Group has expanded its market share in China, it also continues to develop its overseas markets. As hit by the financial tsunami, the economic environment of Europe and the United States was sluggish in 2009. The Group's overseas sales team focused on expanding the growing overseas markets. Currently, the Group conducts brand promotion and new product R&D tailoring for countries and regions such as the Middle East, Russia and India.

OUTLOOK & PROSPECTS

Development of APA technology, which is positioned in the upstream along the IT industry chain, is able to promote the development of automation and information development in traditional and emergent industries and increase production value of the industry by a few dozen times. Our Board of directors believes that along with China's and the world's rapid development in information technology and intelligence technology, strong market demand for APA products will sustain in future. In particular, as the Chinese government implemented its policies of stimulating domestic demand and encouraging priority purchase of proprietary products locally made by domestic enterprises, there will be more market opportunities and room for profit growth for the Group.

In view of the rapid expansion of the APA market, the Group will emphasize industrial applications, focusing on increasing market share of energy (coal mine safety monitoring), transportation (rail traffic monitoring), environmental protection (pollution source detection), 3G communications and other key industry application products, laying the foundation for expansion into other similar and innovative high-end automatic applications in the future. The Group will also strengthen interaction and integration of the R&D and marketing, making timely adjustments to R&D strategies and directions based on market feedbacks so that the Group's R&D and technology innovation are ahead of our competitors.

In view of the development trend of the APA industry, the Group will maintain the development model of a provider of solutions combining "a hardware platform, a software platform and a service platform". In the rapidly growing APA industry, the Group will continue to extend its industry chain, and conduct R&D and sales of APA related products. The Group will comprehensively strengthen efforts to expand overseas markets, establish and improve the overseas marketing system and expand the proportion of products exported.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the board, I would like to offer our sincere thanks to our shareholders, customers and suppliers for their consistent support, and to the persons from various sectors that constantly support the Group. In addition, I would like to express my sincere gratitude to our staff for their diligence and contribution. Leveraging on our experienced senior management and professional team, the Group will successfully realize our business goals for the coming year and maximize value for our shareholders.

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 25 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

For the year ended 31 December 2009, the Group's turnover was approximately RMB1,191,698,000, representing a slightly decrease of approximately 1.6%.

Turnover by product category

Sales of Products	2009 RMB'000	2008 RMB'000	Change Percentage
Board-type APA	418,231	453,457	-7.8%
Chassis-type APA	314,665	311,846	+1%
Remote data modules	18,483	16,230	+14%
APA products	751,379	781,533	-3.9%
Auxiliary services business	440,319	429,557	+2.5%
Total	1,191,698	1,211,090	-1.6%

Turnover by Geographical Location

Regions in China	2009 RMB'000	2008 RMB'000	Change Percentage
North and Northeast China	164,922	163,733	+1%
East China	111,032	109,489	+1%
South China	810,145	878,960	-8%
Southwest China	26,964	40,036	-33%
Northwest China	16,426	18,872	-13%
Export sales	62,209	—	N/A
Total	1,191,698	1,211,090	-1.6%

Cost of sales

The total cost of sales amounted to approximately RMB941,364,000, representing an increase of 3.7%. 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 2009 was approximately RMB250,334,000, representing a decrease of approximately 17.5%. The gross profit margin decreased from approximately 25% to approximately 21%. The decrease in gross profit margin was mainly due to products selling price adjustment in APA products and total turnover declined in board-type APA business.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income for the year ended 31 December 2009 amounted to approximately RMB70,024,000 (2008: RMB 57,354,000), representing an increase of approximately 22%. The increase was mainly due to increase value-added tax concession and government subsidies.

Selling & Distribution costs

The selling and distribution expenses were approximately RMB48,297,000 equivalent to approximately 4.1% of the Group's turnover in 2009. The selling and distribution expenses decrease by 4.9% from RMB50,759,000 equivalent to 4.2% of the Group's turnover in 2008. The decrease was mainly attributable to the reduction of business in 2009.

Administrative Expenses

The administrative expenses were approximately RMB81,201,000 in 2009, representing a decrease of RMB15,979,000 or 16.4% from about RMB97,180,000 in 2008. The decrease was mainly attributable to implementation of cost control in general administrative expenses.

Research & Development costs

The research and development cost were approximately RMB49,664,000 equivalent to approximately 4.2% of the Group's turnover in 2009. The research and development costs increased by 2.1% from RMB48,630,000 equivalent to 4.0% of turnover in 2008.

Finance Costs

The finance costs were approximately RMB63,294,000 in 2009, increase 31.8% from RMB48,031,000 in 2008. The increase were mainly attributable to the increase of bank borrowings.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the year 31 December 2009 was approximately RMB78,167,000, while that of 2008 was approximately RMB113,262,000, representing a decrease of approximately 31%. The net profit margin also dropped from 8.0% to 5.3%. The decrease was mainly attributable from increase in depreciation expenses and finance costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internally resourced and banking facilities granted by bankers in the PRC. As at 31 December 2009, the Group's gearing ratio had increased to 53% (calculated on the basis of the Group's total liabilities over total assets) from 51% as at 31 December 2008. As at 31 December 2009, the Group's total bank borrowings amounted to RMB1,022 million (2008: RMB780 million). The Group's time deposits and cash and bank balances as at 31 December 2009 has increased to RMB1,317 million (2008: RMB1,024 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 1.94 as at 31 December 2009 (2008: 1.29).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISKS

Since most of the transactions of the Group were denominated in Renminbi, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review.

CONTINGENT LIABILITIES

The Company guaranteed the banking facilities granted to a subsidiary amounting to RMB30 million (2008: nil). As at 31 December 2009, all (2008: nil) the above banking facilities granted were utilised.

THE PLEDGE OF ASSETS

At 31 December 2009, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress having a total carrying amount of approximately RMB296,817,000 (2008: RMB243,903,000) as security for bank loans 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 29.

MATERIAL EVENT

The Company has submitted an application on 10 February 2010 to the Stock Exchange for the transfer of listing of its H Shares from the GEM to the Main Board under the transfer of listing arrangements pursuant to the relevant provisions of the GEM Listing Rules and the Rules Governing the Listing of Securities on the Stock Exchange. The transfer of listing will not involve the issue of any new shares of the Company.

SIGNIFICANT INVESTMENT

The Group has not held any significant investment for the year ended 31 December 2009.

EMPLOYEE INFORMATION

As at 31 December 2009, the Group had 1,932 (2008: 2,467) full-time employees. During the period under review, the Group reported staff costs including directors remuneration of approximately RMB62,868,000 (2008: RMB71,142,000). 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 SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 46, the chairman and an executive director of the Group. He is the founder of the Company and is responsible for the overall strategy and planning for the business of the Company. Mr. Chen graduated with a bachelor degree of engineering in computer application from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He also obtained a master degree in computer science and computer engineering from the department of engineering in Northwestern Polytechnical University (西北工業大學) in 1990. Mr. Chen has over 21 years of experience in computer and automation of control systems. In February 2003, Mr. Chen was awarded the prize of Guangdong Province Outstanding Entrepreneur of Domestic-owned Enterprises (廣東省優秀民營企業家) by Guangdong Province Government (廣東省人民政府). Mr. Chen was accredited as "Manager of Edges in Comprehensive Quality Control (全面質量管理優勢管理者)" by Quality Association of Shenzhen and as "Excellent Small Medium Enterprise of Shenzhen (深圳市優秀中小企業家)" by Association for Small Medium Enterprises of Shenzhen in 2004. In 2005, Mr. Chen was elected as a Member of the Executive Committee of the Fourth Chinese People's Political Consultative Conference of Shenzhen (深圳市第四屆政協常委). In 2007, Mr. Chen was elected as a member of Guangdong Political Consultative Conference (廣東省政協委員). In 2008, Mr. Chen was accredited as 2007 CCTV's Man of the Year in Chinese Economics and awarded the prize of Innovation of the Year.

Tso Cheng Shun (曹成生), aged 81, the vice chairman and an executive director of the Group. Mr. Tso graduated from Nan Tong Institute (南通學院) in the PRC and obtained a certificate in engineering in textile. He is responsible for corporate planning of the Company. Mr. Tso has been serving the Company since 1995. He is responsible for developing business strategy, preparing annual financial budget and monitoring financial status of the Group.

Zhu Jun (朱軍), aged 48, an executive director, a member of remuneration and review committee, the compliance officer, the chief engineer and the head of R&D department of the Group. He joined the Company in October 1995 and is responsible for monitoring the R&D center of the Company. Mr. Zhu obtained the designation of Senior Programmer from China Computer Application Software Practitioner Examination Committee (中國計算機應用軟件人員水平考試委員會) in 1990. He has extensive research and development experience in computer engineering and integration of control systems. He is responsible for managing overall R&D strategy and operations of the Company. In 2000, Mr. Zhu was awarded Shenzhen Municipal Science and Technological Advancement First Class Prize (深圳市科技進步一等獎) and Guangdong Province Technological Progress Second Runner-up Prize (廣東省科技進步三等獎). In 2003, Mr. Zhu was awarded Shenzhen Province Technological Progress First Class Prize.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Tian Xiang (王天祥), aged 41, an independent non-executive director and a member of audit committee. Mr. Wang was graduated with Bachelor Degree in Economics at Hebei Geological College (河北地質學院) and is an accountant in the PRC. He has over 19 years of experience in accounting and financial management in the PRC and held various senior positions in state-owned enterprise as well as a company listed in Hong Kong. He is currently worked in the financial department of China Gas Holding Limited (中國燃氣控股有限公司).

DAI Lin Ying (戴琳瑛), aged 46. She graduated from Heilongjiang Business School (黑龍江商學院) in 1985 with a bachelor degree in Economics, and obtained her EMBA degree from China Europe International Business School in 2006. Ms. Dai possesses more than 17 years of experience in strategic planning and corporate management. Ms. Dai joined Shenzhen China Resources Supermarket Company Limited (深圳華潤超級市場有限公司) in 1991 as manager of its procurement department. Subsequently, she took up senior management positions in the Mainland and Hong Kong divisions of China Resources Vanguard Company Limited. She is currently general manager of the Olé Lifestyle Center of China Resources Vanguard Company Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

Wang Zhao Hui (王昭輝), aged 41, an independent non-executive director, chairman of remuneration and review committee and a member of audit committee. He graduated from Chongqing University (重慶大學) in 1989 in Precise Electrical Measurement (精密電測專科) in the Department of Electrical Engineering (電器工程系), and obtained his EMBA degree from China Europe International Business School in 2006. Mr. Wang possesses more than 15 years of experience in marketing and corporate management. He is currently executive director and general manager of Shenzhen HYP Industries Limited (深圳市恆盈普泰實業有限公司).

An Jian (安健), aged 41, an independent non-executive director, a member of both the audit committee and the remuneration and review committee. He graduated from Shanghai East China University of Political Science and Law (上海市華東政法學院) in 1990 with a bachelor degree in Law, and obtained a master degree in Law from Wuhan Zhongnan University of Economics and Law (武漢市中南政法學院) in 1993. Mr. An possesses more than 16 years of experience in practicing PRC law. He has worked in the legal system division of Shenzhen Public Security Bureau (深圳市公安局法制處) in 1993, and is currently a senior partner of De Heng Law Offices (德恒律師事務所).

SUPERVISORS

Pu Jing (濮靜), aged 44, chairman of the supervisory committee of the Company. Ms. Pu graduated from Wuhan Iron and Steel University (武漢鋼鐵學院) in the PRC with a bachelor degree in engineering in electric automation in 1988. She has over 19 years of experience in industrial computer testing. Ms. Pu is a shareholder of Shenzhen Yanxiang Wangke Industry Company Limited and Shenzhen Haoxuntong Industry Company Limited and was appointed by the Company as a supervisor in December 2000.

Zhan Guo Nian (詹國年), aged 39, a member of the supervisory committee of the Company. Mr. Zhan graduated from Chengdu Geological College (中國成都地質學院) in the PRC with a bachelor degree in engineering in 1991. He has over 18 years of experience in management and administration. Mr. Zhan joined the Company for management and administration work in March 2001 and was appointed by the Company as a supervisor in October 2006.

Zhang Zheng An (張正安), aged 34, was graduated from high school, a member of the supervisory committee of the Company. Mr. Zhang is a shareholder of Shenzhen Haoxuntong Industry Co., Ltd and has over 13 years of experience in management and administration and was appointed by the Company as a supervisor in October 2006.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 59, the chief financial controller, qualified accountant and company secretary of the Company. He obtained a master degree of business administration from University of East Asia in Macau in 1991. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has more than 21 years experience in finance and accounting. Mr. Tsui had served the Company as the financial controller, qualified accountant, company secretary and authorised representative during the period from July 2002 to August 2004 and from 22 June 2007 till now.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT

Sun Wei (孫偉), aged 47, is the general manager and the manager of the human resources and administration department of the Company. He obtained a bachelor degree in engineering with a major in engine technology from Da Lian Tie Dao University (大連鐵道大學) in the PRC in 1983. He has extensive experience in engine design, investment and human resources management. He joined the Company in March 1999.

Wang Zhen Zun (王振俊), aged 45, the assistant general manager of the Company. He is responsible for the overall sales functions of the Company. Mr. Wang obtained a bachelor degree in engineering with a major in automation of control from the automated control faculty of Beijing Industrial College (中國北京工業學院) in the PRC in 1986. Mr. Wang possesses strong technical expertise in automation technology and has over 14 years of experience in the sales and marketing of computer-based industrial automation products. Mr. Wang joined the Company in October 1995.

Fan Xiao Ning (樊小寧), aged 39, the assistant general manager of the Company. He is responsible for the overall marketing functions of the Company. Mr. Fan is a certificate holder in Chinese language from Nan Cheng University (南昌大學). He has over 15 years of experience in strategic marketing planning. Prior to joining the Company in July 1999, he held a number of managerial positions in various industrial enterprises in the PRC.

Chen Xiang Yang (陳向陽), aged 43, is the head of the production department of the Company. He obtained a bachelor degree in wireless electronics technology from Chongqing University (重慶大學) in the PRC in 1988. He is in charge of the quality control and production functions of the Company. He has over 15 years of experience in the quality control of electronic products. He joined the Company in July 1999.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of Advanced Process Automation products ("APA products"). Details of the principal activities of the subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 84.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB480,369,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 38.62% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 12.18% of the Group's revenue for the year. 75.83% of the Group's total purchases were attributable to the Group's five largest suppliers and purchases from the Group's largest supplier accounted for 59.81% of the Group's total purchases.

According to the best knowledge of the directors, neither the directors, their associates (as defined under the GEM Listing Rules), nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year were:

Executive directors:

Chen Zhi Lie *(Chairman)*	Re-appointed on 9 October 2009
Tso Cheng Shun	Re-appointed on 9 October 2009
Zhu Jun	Re-appointed on 9 October 2009

Independent non-executive directors:

Wen Bing	Retired on 9 October 2009
Zhou Hong	Retired on 9 October 2009
Dong Lixin	Retired on 9 October 2009
Wang Tian Xiang	Re-appointed on 9 October 2009
Dai Lin Ying	Appointed on 9 October 2009
Wang Zhao Hui	Appointed on 9 October 2009
An Jian	Appointed on 9 October 2009

Supervisors:

Pu Jing *(Chairman)*
Zhan Guo Nian
Zhang Zheng An

According to article 10.02 of the Company's articles of association, the term of the directors and supervisors are appointed for a period of three years. Upon expiry of the term, they shall be eligible for re-election.

The Company has received annual confirmations of independence from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and still considers them to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors and the senior management of the Group are set out under the section "Directors, Supervisors and Senior Management's Profile" of the annual report.

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the director and supervisor of the Company has entered into a service contract with the Company with effect from the date of appointment of the respective director and supervisor, for a term of three years.

Apart from the foregoing, no director and supervisor of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

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 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 (Note 1)	Domestic Shares	90.90%	68.17%
Supervisor					
Zhang Zheng An (張正安)	Interest of a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 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 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 December 2009, 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.

REPORT OF THE DIRECTORS

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 2009, 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 2009, 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 2009.

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.

BANK BORROWINGS

As at 31 December 2009, the bank borrowings of the Group are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles and the related laws of the PRC, which oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group had authorised but not contracted for and contracted but not provided for commitments amounting to approximately RMB556,004,000 (2008: nil) and RMB48,144,000 (2008: RMB198,589,000) 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.

REPORT OF THE DIRECTORS

AUDITOR

During the year under review, Shu Lun Pan Horwath Hong Kong CPA Limited, the previous retired auditors of the Company, had changed its name to Shu Lun Pan Hong Kong CPA Limited ("SLPHK") and thereafter it had merged their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited had changed their name to BDO Limited. On 29 May 2009, BDO Limited was appointed as the auditors of the Company to replace the retired auditors, SLPHK.

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED*
Chen Zhi Lie
Chairman

Shenzhen, the PRC, 25 March 2010

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has conducted review on its internal governance measures against the provisions as set out in the Code on Corporate Governance Practices (the "Code"). A number of internal governance measures have been introduced to the management of the Company in order to bring up their awareness of the Code. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2009.

BOARD COMPOSITION

The board comprises seven directors, with three executive directors, four independent non-executive directors.

BOARD MEETING

The Company held nine full board meetings in the financial year ended 31 December 2009. The directors participated in person or through electronic means of communication. The following is an attendance record of the meetings by each director:

		Number of meetings attended/ held during the director's term of office		
		Board	Remuneration committee	Audit committee
Executive directors:				
Chen Zhi Lie *(Chairman)*		9/9	—	—
Tso Cheng Shun		9/9	—	—
Zhu Jun		9/9	2/2	—
Independent non-executive directors:				
Wen Bing	Retired on 9 October 2009	6/6	1/1	3/4
Zhou Hong	Retired on 9 October 2009	6/6	1/1	3/4
Dong Lixin	Retired on 9 October 2009	6/6	—	—
Wang Tian Xiang		9/9	—	4/4
Dai Lin Ying		3/3	—	–
Wang Zhao Hui		3/3	1/1	1/4
An Jian		3/3	1/1	1/4

CORPORATE GOVERNANCE REPORT

The main responsibilities of the board include:

1. to implement resolutions of the general meetings;

2. to lay down the Group's management policies, business strategies and investment plans;

3. to review and approve the annual, interim and quarterly results of the Group;

4. to monitor and control operating and financial performance through the determination of the annual budget;

5. to approve the appointment of auditor of the Group;

6. to review the amendment to the articles of association of the Company.

The board meets regularly and at least four times a year and notice of at least 14 days is given to all directors. All directors have access to the services of the company secretary and secretary of the board. Minutes of board meetings are kept by the company secretary and secretary of the board and sent to all directors for their comment and records.

The Company has received written confirmations from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and considers all independent non-executive to be independent.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the board considers each of the independent non-executive directors to be independent.

CHAIRMAN AND GENERAL MANAGER

The chairman and general manager of the Company are Chen Zhi Lie and Sun Wei respectively. The roles of chairman and general manager are separate and the division of responsibilities between the chairman and general manager have been clearly established and set out in writing.

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. On 10 October 2009, the Company established the new remuneration committee. It currently consists two independent non-executive directors and one executive director.

The remuneration committee meets regularly to determine the policy for the remuneration of directors and assess the performance of executive directors and certain senior management of the Company. The remuneration committee reviewed the remuneration policy of the Company, assessed the performance of the executive directors and senior management and recommended specific remuneration packages of all the directors and senior management to the board.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 10 to the financial statements.

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee. All the Company's directors have appointed for a term of office for three years. The board is empowered under the articles of association to appoint any person as a director to fill a causal vacancy. All existing directors and supervisors were re-appointed/re-elected on 9 October 2009.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, auditor's remuneration for audit services is approximately HK$780,000 (2008: HK$750,000). Other than audit, no non-audit services such as due diligence and other advisory services were provided.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

A statement of directors' responsibility for prepare financial statements is set out in "Independent Auditor's Report" of this report.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 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 auditor 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 are 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 auditor.

The audit committee of the Company has reviewed the audit results of the Group for the period under review and has provided advice and comments thereon.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The directors have regularly reviewed and satisfied with the effectiveness of the Company's internal control procedures and system, including functions such as financial and operational control.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors were conducted periodically as necessary. The Company also replied the inquiry from shareholders timely.

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

The Supervisory Committee of the Company has exercised its powers seriously to safeguard the interests of the Company and shareholders, complied with the principle of good faith, discharged its duties conscientiously and undertaken tasks in a diligent and proactive manner in accordance with the Company Law of the PRC, the relevant Hong Kong laws and regulations and the Company's articles of association.

The Supervisory Committee of the Company has reviewed in detail and approved the audited financial statements and this report which will be presented at the annual general meeting. Supervisors of the Company have reviewed prudently the operation and development plans of the Company, and carried out strict and effective supervision as regards whether major decision-making and exact decisions by the management of the Company are in compliance with the laws and regulations of the PRC and the articles of association and safeguard the interests of shareholders. Supervisors believe that during the year, the operating results of the Company were sufficient to reflect its position, and all expenses and costs incurred were reasonable. The provision for statutory surplus reserve made during the year has complied with the applicable laws and regulations of the PRC and the Company's articles of association.

During the year, Supervisory Committee had provided reasonable suggestions and opinions to the board of directors in respect of the operation and development plans of the Company. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of its shareholders.

The Supervisory Committee of the Company is full of confidence in the future of the Company and would like to take this opportunity to express its gratitude to all shareholders, directors and staff for their strong support to the Supervisory Committee.

By order of the Supervisory Committee
Pu Jing
Chairperson

Shenzhen, the PRC, 25 March 2010

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2541 5041
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+ 852 2541 5041
傳真：+ 852 2815 2239
www.bdo.com.hk

香港干諾道中 111 號
永安中心 25 樓

TO THE SHAREHOLDERS
OF EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of EVOC Intelligent Technology Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Sum Yuk Fan, Sharon
Practising Certificate Number: P04967
Hong Kong, 25 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 RMB'000	2008 RMB'000
Turnover	7	**1,191,698**	1,211,090
Cost of sales		**(941,364)**	(907,669)
Gross profit		**250,334**	303,421
Other income	7	**70,024**	57,354
Valuation loss on investment properties	16	**(8,258)**	(4,707)
Selling and distribution costs		**(48,297)**	(50,759)
Administrative expenses		**(81,201)**	(97,180)
Other operating expenses		**(55,395)**	(49,188)
Finance costs	8	**(63,294)**	(48,031)
Profit before income tax expenses	9	**63,913**	110,910
Income tax expenses	12(a)	**(1,130)**	(13,687)
Profit for the year		**62,783**	97,223
Other comprehensive income/(loss), after tax			
Gain/(loss) on revaluation of buildings	15 & 28	**5,522**	(18,817)
Exchange difference on translating foreign operations		**(40)**	565
Release of statutory surplus reserve upon deregistration of a branch of the Company		**(154)**	—
Other comprehensive income/(loss) for the year, net of tax		**5,328**	(18,252)
Total comprehensive income for the year		**68,111**	78,971
Profit attributable to:			
— Owners of the Company	13	**78,167**	113,262
— Minority interests		**(15,384)**	(16,039)
		62,783	97,223
Total comprehensive income attributable to:			
— Owners of the Company		**83,495**	95,010
— Minority interests		**(15,384)**	(16,039)
		68,111	78,971
Earnings per share — Basic and diluted (RMB)	14	**0.063**	0.092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**303,599**	372,522
Investment properties	16	**72,175**	58,330
Lease prepayments	17	**1,012,989**	992,867
Deposit for acquisition of prepaid land lease	23	**—**	5,000
Goodwill	18	**24,470**	24,470
Deferred tax assets	28	**1,207**	1,709
		1,414,440	1,454,898
CURRENT ASSETS			
Inventories	20	**92,299**	89,629
Trade receivables	21	**128,200**	143,753
Bills receivable	22	**20,922**	9,141
Income tax receivable		**25**	2,654
Lease prepayments	17	**29,904**	28,883
Other receivables, deposits and prepayments	23	**29,442**	31,882
Time deposits and cash and bank balances	24	**1,317,366**	1,024,017
		1,618,158	1,329,959
CURRENT LIABILITIES			
Bank borrowings	25	**446,000**	588,000
Trade payables	26	**84,570**	112,957
Bills payable	26	**14,098**	13,099
Income tax payable		**7,990**	13,739
Other payables and accruals	27	**280,802**	302,887
		833,460	1,030,682
Net current assets		**784,698**	299,277
Total assets less current liabilities		**2,199,138**	1,754,175
NON-CURRENT LIABILITIES			
Bank borrowings	25	**576,000**	192,000
Deferred tax liabilities	28	**188,514**	195,662
		764,514	387,662
Net assets		**1,434,624**	1,366,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	**2009 RMB'000**	2008 RMB'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	29	**123,314**	123,314
Reserves	30(a)	**676,498**	593,003
Equity attributable to owners of the Company		**799,812**	716,317
Minority interests		**634,812**	650,196
Total equity		**1,434,624**	1,366,513

On behalf of the Board

Chen Zhi Lie	**Tso Cheng Shun**
Chairman	*Director*

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILTIES			
Non-current assets			
Property, plant and equipment	15	258,381	291,684
Investment properties	16	78,155	58,330
Lease prepayments	17	54,392	5,511
Investments in subsidiaries	19	250,210	151,312
Deposit for acquisition of prepaid land lease	23	—	5,000
		641,138	511,837
Current assets			
Inventories	20	91,572	91,602
Trade receivables	21	31,786	44,198
Bills receivable	22	9,564	8,592
Income tax receivable		3	2,654
Lease prepayments	17	1,146	126
Other receivables, deposits and prepayments	23	16,798	27,047
Time deposits and cash and bank balances	24	1,153,906	1,014,056
Amounts due from subsidiaries	19	56,633	—
		1,361,408	1,188,275
Current liabilities			
Bank borrowings	25	416,000	588,000
Trade payables	26	40,661	48,986
Bills payable	26	14,098	13,099
Income tax payable		796	—
Other payables and accruals	27	40,229	45,179
Amounts due to subsidiaries	19	125,019	170,249
		636,803	865,513
Net current assets		724,605	322,762
Total assets less current liabilities		1,365,743	834,599
Non-current liabilities			
Bank borrowings	25	576,000	192,000
Deferred tax liabilities	28	27,048	30,900
		603,048	222,900
Net assets		762,695	611,699

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	29	**123,314**	123,314
Reserves	30(b)	**639,381**	488,385
Total equity		**762,695**	611,699

On behalf of the Board

Chen Zhi Lie	**Tso Cheng Shun**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital RMB'000 (Note 29)	Share premium RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Properties revaluation reserve RMB'000 (Note 30)	Translation reserve RMB'000 (Note 30)	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December 2007	**123,314**	**8,586**	**54,311**	**93,215**	**–**	**341,881**	**621,307**	**666,235**	**1,287,542**
Total comprehensive income for the year, net of tax	–	–	–	(18,817)	565	113,262	95,010	(16,039)	78,971
Transfer between reserves	–	–	9,722	–	–	(9,722)	–	–	–
Balance at 31 December 2008	**123,314**	**8,586**	**64,033**	**74,398**	**565**	**445,421**	**716,317**	**650,196**	**1,366,513**
Total comprehensive income for the year, net of tax	–	–	(154)	5,522	(40)	78,167	83,495	(15,384)	68,111
Balance at 31 December 2009	**123,314**	**8,586**	**63,879**	**79,920**	**525**	**523,588**	**799,812**	**634,812**	**1,434,624**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before income tax expenses	63,913	110,910
Adjustments for:		
Bank interest expenses	60,077	44,106
Bank interest income	(22,347)	(21,505)
Depreciation and amortisation	62,418	55,664
(Reversal of allowance)/allowance for trade receivables	(2,772)	2,539
Write-off/(reversal of write-off) on inventories	1,763	(1,036)
Loss on disposal of property, plant and equipment	441	298
Gain on deregistration of a branch of the Company	(154)	—
Valuation loss on investment properties	8,258	4,707
Operating cash flows before working capital changes	171,597	195,683
(Increase)/decrease in inventories	(4,434)	2,498
Decrease/(increase) in trade receivables	18,316	(17,673)
(Increase)/decrease in bills receivable	(11,781)	9,118
Decrease in other receivables, deposits and prepayments	2,409	9,449
(Decrease)/increase in trade payables	(28,387)	19,014
Increase in bills payable	999	12,556
(Decrease)/increase in other payables and accruals	(22,080)	6,389
Cash generated from operations	126,639	237,034
Interest paid	(60,077)	(44,106)
Income tax paid	(9,132)	(5,934)
Net cash generated from operating activities	57,430	186,994
Investing activities		
Interest received	22,347	21,505
Payment for prepaid land lease	(46,047)	(5,000)
Purchase of property, plant and equipment	(30,074)	(92,900)
Increase in time deposits with original maturity of more than three months when acquired	(80,000)	(357,780)
Decrease in pledged bank balances	—	10,249
Proceeds from disposal of property, plant and equipment	2,893	1,985
Refund from a subcontractor	44,804	—
Net cash used in investing activities	(86,077)	(421,941)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
New bank borrowings		1,230,000	800,000
Repayment of bank borrowings		(988,000)	(450,000)
Repayment of advances from a minority shareholder		–	(9,400)
Net cash generated from financing activities		242,000	340,600
Net increase in cash and cash equivalents		213,353	105,653
Cash and cash equivalents at beginning of year		193,988	88,563
Effect of foreign exchange rate changes		(4)	(228)
Cash and cash equivalents at end of year		407,337	193,988
Analysis of the balances of cash and cash equivalents			
Cash and bank balances, excluding pledged bank balances	24	407,337	193,988

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

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 and principal place of business 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. The activities of the subsidiaries are set out in Note 19 to the financial statements.

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

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes:-

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 8 "Operating Segment"

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Statements

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts.

(b) Potential impact arising on HKFRSs not yet effective

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
Amendments to HKAS 32	Classification of Rights Issues[4]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKFRS 9	Financial Instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

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

(b) Potential impact arising on HKFRSs not yet effective (Continued)

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under the "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The 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.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

All 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.

(b) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any costs of acquisition. Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's relevant cash-generating units that are expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss, after re-assessment.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

(d) Property, plant and equipment

Buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of revalued buildings, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained profits.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents properties, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when it is completed and ready for its intended use.

(e) Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

(f) Lease prepayments

The land and buildings elements of a lease are considered separately for the purposes of lease classifications. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land use rights are classified as lease prepayments, which are carried at cost and amortised over the lease term on a straight-line basis. The unamortised lease prepayments for land use rights have been separately shown in the consolidated and company statements of financial position under current and non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the assets that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

(h) Impairment of assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(j) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

(i) Loans and receivables

The Group classifies its financial assets into loans and receivables based on the purpose for which the assets were acquired.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Impairment of financial assets

Loan and other receivables are assessed for indicators of impairment at the end of each reporting period. Loan and other receivables are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the loan and other receivables, the estimated future cash flows of the assets have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty;

— default or delinquency in interest or principal payments;

— probability that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(ii) Impairment of financial assets (Continued)

If any such evidence exists, any impairment loss determined and recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

The impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

The Group classifies its financial liabilities as other financial liabilities based on the purpose for which the liabilities were incurred.

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

As lessee

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs in Note 4(s). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi, using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation are reclassified to the translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Employees' benefits

(i) Short term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) Pension obligations

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition

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

(i) Revenue from the sale of products is recognised on the transfer of ownership, which generally coincides with the time of shipment.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied buildings

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

Write-off of inventories

Write-off of inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-off required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and write-off/reversal in the period in which the estimate has been changed.

Allowance for doubtful debts

Allowance for doubtful debts is made based on assessment of the recoverability of trade debtors and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

6. 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.

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

All operating assets and operations of the Group during the years ended 31 December 2009 and 2008 were substantially located and carried out 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 one customer with whom transactions have exceeded 10% of the Group's revenues. Revenues from this customer amounted to approximately RMB145,158,000 (2008: RMB131,802,000).

7. TURNOVER AND OTHER INCOME

Turnover, which is also revenue, represents the invoiced value of goods supplied to customers.

	2009 RMB'000	2008 RMB'000
Turnover		
Sale of APA products	**1,191,698**	1,211,090
Other income		
Bank interest income	**22,347**	21,505
Value-added tax ("VAT") concession*	**21,171**	13,422
Gross rentals from investment properties (Note 16)	**21,121**	17,615
Less: direct operating expenses (including repairs and maintenance) arising on rental income from investment properties (Note 16)	**(13,716)**	(6,669)
	7,405	10,946
Government subsidies#	**13,436**	7,856
Sub-contracting income	**2,311**	2,218
Gain on deregistration of a branch of the Company	**154**	—
Others	**3,200**	1,407
	70,024	57,354

* Being VAT refunds obtained from the Shenzhen Futian District State Tax Bureau in respect of sales of approved software and integrated circuit products.

\# Being financial incentives granted by the PRC government to enterprises that engage in developing high-technology products.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expense:		
Bank borrowings wholly repayable within five years	**42,541**	28,931
Bank borrowings wholly repayable beyond five years	**17,536**	15,175
Bank charges	**2,355**	3,925
Others	**862**	—
	63,294	48,031

9. PROFIT BEFORE INCOME TAX EXPENSES

Profit before income tax expenses is arrived at after charging/(crediting) the following:

	Notes	2009 RMB'000	2008 RMB'000
Cost of inventories sold (Note a)	20	**941,364**	907,669
Depreciation	15	**32,514**	25,649
Amortisation of land lease prepayments	17	**29,904**	30,015
Research and development costs (other than depreciation of RMB5,169,000 (2008: RMB1,598,000)):			
Current year expenditure		**44,495**	47,032
Minimum lease payments under operating leases in respect of land and buildings		**12,643**	13,870
Auditor's remuneration		**700**	660
Staff costs (including remuneration of directors):			
Salaries, bonus and allowance		**62,868**	71,142
Retirement benefits scheme contributions		**5,961**	7,375
(Reversal of allowance)/allowance for trade receivables	21	**(2,772)**	2,539
Loss on disposal of property, plant and equipment		**441**	298
Foreign exchange differences, net		**832**	281

Note:

(a) Cost of inventories sold includes staff costs and depreciation of RMB11,678,000 (2008: RMB9,883,000) and RMB5,319,000 (2008: RMB3,380,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2009 RMB'000	2008 RMB'000
Fees	**48**	48
Other emoluments:		
Salaries, allowances and benefits in kind	**174**	174
Retirement benefits scheme contributions	**17**	11
	191	185
	239	233

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2009 RMB'000	2008 RMB'000
Mr Wang Tian Xiang	**12**	12
Ms Dai Lin Ying (Note (i))	**3**	—
Mr Wang Zhao Hui (Note (i))	**3**	—
Mr An Jian (Note (i))	**3**	—
Mr Wen Bing (Note (ii))	**9**	12
Ms Zhou Hong (Note (ii))	**9**	12
Mr Dong Li Xin (Note (ii))	**9**	12
	48	48

Notes:

(i) Appointed on 9 October 2009.

(ii) Resigned on 9 October 2009.

There were no other emoluments payable to the independent non-executive directors during the year (2008: nil).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

10. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
2009				
Mr Chen Zhi Lie	**—**	**77**	**7**	**84**
Mr Tso Cheng Shun	**—**	**20**	**—**	**20**
Mr Zhu Jun	**—**	**77**	**10**	**87**
	—	**174**	**17**	**191**
2008				
Mr Chen Zhi Lie	—	77	5	82
Mr Tso Cheng Shun	—	20	—	20
Mr Zhu Jun	—	77	6	83
	—	174	11	185

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
2009			
Zhang Zheng An	**20**	**5**	**25**
Zhan Guo Nian	**20**	**2**	**22**
Pu Jing	**20**	**9**	**29**
	60	**16**	**76**
2008			
Zhang Zheng An	20	—	20
Zhan Guo Nian	20	—	20
Pu Jing	20	—	20
	60	—	60

(d) During the year, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2008: nil). None of the directors and supervisors waived any emoluments during the year (2008: nil).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2008: nil), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining five (2008: five) non-director, highest paid employees for the year are as follows:

	2009 RMB'000	2008 RMB'000
Salaries, allowances and benefits in kind	**849**	814
Retirement benefits scheme contributions	**38**	34
	887	848

The remuneration of each of the non-director, highest paid employees fell within the range from nil to HK$1,000,000 (equivalent to RMB881,000).

During the year ended 31 December 2009, the five non-director, highest paid employees of the Group received emoluments of RMB454,000, RMB122,000, RMB110,000, RMB109,000 and RMB92,000. During the year ended 31 December 2008, the five non-director, highest paid employees of the Group received emoluments of RMB460,000, RMB105,000, RMB100,000, RMB95,000 and RMB88,000.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: nil).

12. INCOME TAX EXPENSES

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% applies to both domestic-invested enterprises 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 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 was subject to EIT rate of 18% in 2008. In 2009, the Company was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% for 2009 and subject to further approval after the expiry date of 16 December 2011.

In 2009, certain subsidiaries of the Company, namely Beijing EVOC Xingye International Technology Company Limited ("Beijing EVOC") and Shanghai EVOC Intelligent Technology Company Limited ("Shanghai EVOC"), were approved as new and high technology enterprises and therefore should be entitled to a preferential tax rate of 15% for the period from 1 January 2009 to 31 December 2009, subject to further approval thereafter. In 2008, the EIT rates of Beijing EVOC and Shanghai EVOC were 25%.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

12. INCOME TAX EXPENSES (Continued)

On 20 October 2009, Shenzhen EVOC STONE Software Company Limited ("EVOC STONE") was approved to be exempt from EIT for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years.

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, is subject to Hong Kong profits tax at 16.5% in 2008 and 2009.

Xinteer had not provided for any tax since it had no taxable income for 2008.

EVOC STONE and HK EVOC have not provided for any tax since they have no taxable income for 2009 and 2008.

(a) Income tax expenses in the consolidated statement of comprehensive income represent:

	2009 RMB'000	2008 RMB'000
Current tax — PRC		
Provision for the year	**7,251**	14,390
Over-provision in respect of prior year	**(1,239)**	(3,646)
	6,012	10,744
Deferred taxation (Note 28)		
Origination and reversal of temporary differences, net	**(6,738)**	2,943
Change in tax rate	**1,856**	—
	(4,882)	2,943
Total income tax expenses	**1,130**	13,687

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

12. INCOME TAX (Continued)

(b) Income tax expenses of the Group for the year can be reconciled to the profit before income tax expenses as stated in the financial statements as follows:-

	2009 RMB'000	2008 RMB'000
Profit before income tax expenses	63,913	110,910
Tax at the statutory tax rate of 25% (2008: 25%)	15,978	27,728
Deferred tax assets not recognised	4,596	6,360
Utilisation of previously unrecognised tax loss	(459)	(100)
Tax effect of expenses not deductible for taxation purpose	1,563	1,719
Effect of tax exemption and reduction	(10,097)	(15,020)
Tax effect of non-taxable items	(11,068)	(3,427)
Over-provision in prior years	(1,239)	(3,646)
Change in tax rate	1,856	—
Others	—	73
Total income tax expenses	1,130	13,687

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB145,106,000 (2008: RMB138,577,000).

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: nil).

14. EARNINGS PER SHARE

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

	2009	2008
Profit for the year for the purpose of basic earnings per share calculation	RMB78,167,000	RMB113,262,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,233,144,000	1,233,144,000

As the Company has no dilutive potential shares, the basic and diluted earnings per share for the respective years are equal.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 31 December 2007	198,329	32,630	17,628	50,433	13,250	42,930	355,200
Additions	—	1,045	25,472	17,199	1,064	48,120	92,900
Transfer from construction in progress	—	7,050	1,081	6,789	—	(14,920)	—
Transfer to investment properties (Note 16)	—	—	—	—	—	(1,766)	(1,766)
Disposals	—	(16)	(967)	(3,216)	(43)	—	(4,242)
Revaluation loss	(18,393)	—	—	—	—	—	(18,393)
Exchange realignment	—	—	—	(10)	—	—	(10)
As at 31 December 2008	179,936	40,709	43,214	71,195	14,271	74,364	423,689
Reclassification (Note a)	(5,698)	3,465	—	2,793	—	—	560
Additions	—	18	1,941	14,090	299	13,726	30,074
Transfer to investment properties (Note b)	(23,392)	(5,243)	—	—	—	—	(28,635)
Transfer from investment properties (Note b)	5,878	—	—	—	—	—	5,878
Adjustments (Note c)	—	—	—	—	—	(44,804)	(44,804)
Disposals	—	(1,611)	(1,128)	(4,845)	(94)	—	(7,678)
Revaluation gain	2,801	—	—	—	—	—	2,801
As at 31 December 2009	159,525	37,338	44,027	83,233	14,476	43,286	381,885
Comprising:							
At cost	—	37,338	44,027	83,233	14,476	43,286	222,360
At valuation 2009	159,525	—	—	—	—	—	159,525
	159,525	37,338	44,027	83,233	14,476	43,286	381,885
Accumulated depreciation:							
As at 31 December 2007	—	5,501	8,852	15,316	1,725	—	31,394
Charge for the year (Note 9)	3,912	7,046	2,961	9,319	2,411	—	25,649
Written back on disposal	—	(6)	(250)	(1,664)	(39)	—	(1,959)
Eliminated on revaluation	(3,912)	—	—	—	—	—	(3,912)
Exchange realignment	—	—	—	(5)	—	—	(5)
As at 31 December 2008	—	12,541	11,563	22,966	4,097	—	51,167
Reclassification (Note a)	(406)	2,625	—	1,455	—	—	3,674
Charge for the year (Note 9)	2,363	9,036	3,913	14,686	2,516	—	32,514
Transfer to investment properties (Note b)	(1,000)	(2,768)	—	—	—	—	(3,768)
Written back on disposal	—	(1,611)	(404)	(2,304)	(25)	—	(4,344)
Eliminated on revaluation	(957)	—	—	—	—	—	(957)
As at 31 December 2009	—	19,823	15,072	36,803	6,588	—	78,286
Carrying amount:							
As at 31 December 2009	159,525	17,515	28,955	46,430	7,888	43,286	303,599
As at 31 December 2008	179,936	28,168	31,651	48,229	10,174	74,364	372,522

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 31 December 2007	198,329	32,602	17,617	47,750	12,274	—	308,572
Additions	—	176	25,472	13,123	801	16,686	56,258
Transfer from construction in progress	—	7,050	1,081	6,789	—	(14,920)	—
Transfer to investment properties (Note 16)	—	—	—	—	—	(1,766)	(1,766)
Disposals	—	—	(967)	(2,892)	(43)	—	(3,902)
Revaluation loss	(18,393)	—	—	—	—	—	(18,393)
Exchange realignment	—	—	—	(10)	—	—	(10)
As at 31 December 2008	179,936	39,828	43,203	64,760	13,032	—	340,759
Reclassification (Note a)	(5,698)	3,465	—	2,793	—	—	560
Additions	—	—	1,941	12,287	176	9,579	23,983
Transfer to investment properties (Note b)	(23,392)	(5,243)	—	—	—	—	(28,635)
Disposals	—	(1,611)	(1,117)	(3,710)	(94)	—	(6,532)
Revaluation gain	2,699	—	—	—	—	—	2,699
As at 31 December 2009	153,545	36,439	44,027	76,130	13,114	9,579	332,834
Comprising:							
At cost	—	36,439	44,027	76,130	13,114	9,579	179,289
At valuation 2009	153,545	—	—	—	—	—	153,545
	153,545	36,439	44,027	76,130	13,114	9,579	332,834
Accumulated depreciation:							
As at 31 December 2007	—	5,501	8,852	14,510	1,539	—	30,402
Charge for the year	3,912	6,916	2,961	8,389	2,207	—	24,385
Written back on disposal	—	—	(250)	(1,506)	(39)	—	(1,795)
Eliminated on revaluation	(3,912)	—	—	—	—	—	(3,912)
Exchange realignment	—	—	—	(5)	—	—	(5)
As at 31 December 2008	—	12,417	11,563	21,388	3,707	—	49,075
Reclassification (Note a)	(406)	2,625	—	1,455	—	—	3,674
Charge for the year	2,069	8,788	3,913	12,847	2,267	—	29,884
Transfer to investment properties (Note b)	(1,000)	(2,768)	—	—	—	—	(3,768)
Written back on disposal	—	(1,611)	(404)	(1,709)	(25)	—	(3,749)
Eliminated on revaluation	(663)	—	—	—	—	—	(663)
As at 31 December 2009	—	19,451	15,072	33,981	5,949	—	74,453
Carrying amount:							
As at 31 December 2009	153,545	16,988	28,955	42,149	7,165	9,579	258,381
As at 31 December 2008	179,936	27,411	31,640	43,372	9,325	—	291,684

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Shenzhen EVOC Building ("EVOC Building") was completed in May 2007 and the Group classified the assets based on the estimation provided by the contractor. In December 2009, the contractor issued the final completion report on EVOC Building. Accordingly, certain items of property, plant and equipment and investment properties were reclassified.

(b) During the year ended 31 December 2009, certain previously self-occupied properties with a carrying amount of RMB24,867,000 were leased out under operating leases, and certain previously leased out properties with a carrying amount of RMB5,878,000 were occupied for self use (Note 16).

(c) During the year ended 31 December 2009, the Group received a refund of RMB44,804,000 from a subcontractor upon termination of the respective subcontracting agreement.

(d) The buildings held by the Group and the Company were revalued at 31 December 2009 and 2008 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by American Appraisal China Limited, a firm of independent chartered surveyors with recent experience in the location and category of properties being valued. The revaluation gain, net of applicable deferred tax, of RMB5,522,000 (2008: revaluation loss, net of applicable deferred tax, of RMB18,817,000) and RMB6,084,000 (2008: revaluation loss, net of applicable deferred tax of RMB18,817,000) for the Group and the Company respectively, has been transferred to the properties revaluation reserve.

Had these buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the Group and the Company as at 31 December 2009 would have been RMB67,099,000 (2008: RMB80,741,000) and RMB65,248,000 (2008: RMB80,741,000) respectively.

(e) The Group has pledged buildings and certain construction in progress having a carrying amount at 31 December 2009 of RMB159,525,000 (2008: RMB179,936,000) and RMB9,579,000 (2008: nil) respectively, to secure banking facilities granted to the Group (Note 25).

(f) The Group's and the Company's buildings are located in Mainland China under medium term leases of which buildings with a carrying amount of RMB153,545,000 (2008: RMB179,936,000) are not freely transferable (Note 17(c)).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

16. INVESTMENT PROPERTIES

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Carrying amount, at fair value				
At beginning of year	58,330	58,330	61,271	61,271
Reclassification (Note 15(a))	3,114	3,114	—	—
Transfer from property, plant and equipment (Note 15(b))	24,867	24,867	1,766	1,766
Transfer to property, plant and equipment (Note 15(b))	(5,878)	—	—	—
Fair value adjustment	(8,258)	(8,156)	(4,707)	(4,707)
At end of year	72,175	78,155	58,330	58,330

All the Group's investment properties were revalued as at 31 December 2009 and 2008 at their open market value either by reference to recent market transactions in comparable properties or on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by American Appraisal China Limited, a firm of independent chartered surveyors with recent experience in the location and category of properties being valued.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB21,121,000 (2008: RMB17,615,000) (Note 7). Direct operating expenses arising on the investment properties in the year amounted to RMB13,716,000 (2008: RMB6,669,000) (Note 7).

The Group's investment properties are held in Mainland China under medium term leases and are pledged to secure banking facilities granted to the Group (Note 25).

At 31 December 2009, investment properties of the Group and the Company with a carrying value of RMB66,455,000 (2008: RMB58,330,000) are not freely transferable (Note 17(c)).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

17. LEASE PREPAYMENTS

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Cost:				
At beginning of the year	**1,052,279**	**6,277**	1,052,279	6,277
Addition (Note (b))	**51,047**	**51,047**	—	—
At end of year	**1,103,326**	**57,324**	1,052,279	6,277
Accumulated amortisation:				
At beginning of year	**30,529**	**640**	514	514
Charge for the year (Note 9)	**29,904**	**1,146**	30,015	126
At end of year	**60,433**	**1,786**	30,529	640
Carrying amount:				
At 31 December	**1,042,893**	**55,538**	1,021,750	5,637
Less: Current portion included under current assets	**(29,904)**	**(1,146)**	(28,883)	(126)
Non-current portion	**1,012,989**	**54,392**	992,867	5,511

(a) The Group's and the Company's leasehold land is located in Mainland China.

(b) The piece of land in Guangming, Shenzhen, the PRC with a carrying amount of RMB50,025,000 at 31 December 2009 (2008: nil) is held under a medium term lease with a term of 50 years commencing on 1 January 2009. The land is acquired at a concession discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained. According to a contract for the grant of State-owned land use rights, construction should have been completed by 31 December 2010.

The Company intends to build production plants, office and research and development building and staff quarters on this piece of land and as such, in December 2009, the Company submitted a revised construction plan to include construction of staff quarters to Urban Planning Land and Resources Commission of Shenzhen Guangming Municipality (深圳市規劃和國土資源委員會光明管理局). Such amendments require the Company to pay additional land premium. The Company is under negotiation with the government with respect to the amendments as at the date of the report and accordingly, the Company has not obtained the relevant land use right certificate. It is not practical for the Group and the Company to determine the additional land premium in respect of the above change at the end of the reporting period.

(c) The piece of land in Shenzhen with a carrying amount of RMB5,513,000 at 31 December 2009 (2008: RMB5,637,000) is held under a medium term lease, which has a term of 50 years commencing on 27 November 2003. The land is acquired at a concession discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

17. LEASE PREPAYMENTS (Continued)

(d) The four pieces of land in Wuxi has a total area of 518,564m^2 (the "Wuxi Land") and a carrying amount of RMB987,355,000 at 31 December 2009 (2008: RMB1,016,113,000).

According to the land purchase agreement signed on 20 February 2004 between Wuxi State-owned Land Bureau and Shenzhen Feng Shui Long Investment Development Company Limited ("Feng Shui Long") (the former sole owner and now a shareholder of 49% equity interest in Wuxi SHIOC International Outsourcing Industry Development Company Limited ("SHIOC") formerly known as Wuxi Jiang Nan Dai Shi Jie Investment Development Company Limited, a subsidiary of the Company since 16 November 2007) and a supplemental agreement signed between Wuxi State-owned Land Bureau, Feng Shui Long and SHIOC on 7 December 2004 (collectively the "Agreements"), the land premium for the Wuxi Land of RMB362,000,000 should be fully repaid by 30 September 2005 and the development of the Wuxi Land should be completed by 30 September 2007. Feng Shui Long is 100% held by the spouse of an executive director of the Company.

At 31 December 2009, the unpaid land premium for the Wuxi Land was RMB220,252,000 (2008: RMB228,565,000) (Note 27).

The Group has commenced the development of two pieces of the Wuxi Land with a total area of 215,221m^2 and has obtained two land use right certificates thereon extending to 7 December 2044. The Group plans to develop the remaining two pieces of the Wuxi Land after the infrastructure development plans in relation to such land by the Wuxi Municipal People's Government have been finalised.

According to a letter dated 22 March 2010 from the Wuxi State-owned Land Bureau, although the Company has not fully settled the land premium in accordance with the Agreements, the Wuxi State-owned Land Bureau does not consider SHIOC to be in breach of any terms and conditions of the Agreements. The Wuxi State-owned Land Bureau has also advised that it does not consider any portion of the Wuxi Land to be idle, despite development works have not been carried out according to the timeframe provided by the Agreements.

(e) The Group had pledged lease prepayments having a carrying amount of RMB55,538,000 at 31 December 2009 (2008: RMB5,637,000) to secure banking facilities granted to the Group (Note 25).

18. GOODWILL

	Group	
	2009 **RMB'000**	2008 RMB'000
Cost and carrying amount		
At beginning and the end of the year	**24,470**	24,470

The recoverable amount of the cash-generating unit of property development is determined based on the fair value less costs to sell by reference to the prevailing market prices on the properties held under development. The recoverable amount of the cash-generating unit of property development so determined is higher than its carrying amount. Accordingly, no impairment loss on goodwill is required.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unlisted equity investments, at cost	**250,210**	151,312

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name	Place of registration and operations and kind of legal entity	Registered capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited	PRC, limited liability company	RMB6,000,000	**100%**	100%	Research, development, manufacture and distribution of APA software products
深圳市研祥新特科技有限公司 Shenzhen EVOC Xinteer Technology Company Limited	PRC, limited liability company	RMB10,000,000	**100% (Note (a))**	100%	Trading of electronic parts
上海市研祥智能技術有限公司 Shanghai EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB30,000,000	**100%**	100%	Research, development, manufacture and distribution of APA software products
北京市研祥興業國際科技有限公司 Beijing EVOC Xingye International Technology Company Limited	PRC, limited liability company	RMB30,000,000	**100%**	100%	Research, development and distribution of APA software products
無錫深港國際服務外包產業發展有限公司 Wuxi SHIOC International Outsourcing Industry Development Company Limited, formerly known as 無錫市江南大世界投資發展有限公司Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited	PRC, limited liability company	RMB211,224,500	**51%**	51%	Development of a service outsourcing centre
廣州市研祥智能科技有限公司 Guangzhou EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB5,000,000	**100%**	100%	Research, development and distribution of APA software products

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

Name	Place of registration and operations and kind of legal entity	Registered capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
西安研祥智能科技有限公司 Xian EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100%**	100%	Research, development and distribution of APA software products
南京研祥智能科技有限公司 Nanjing EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100%**	100%	Research, development and distribution of APA software products
成都市研祥智能科技有限公司 Chengdu EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB30,000,000	**100%**	100%	Research, development and distribution of APA software products
深圳市研祥通軟件有限公司 Shenzhen EVOC STONE Software Company Limited	PRC, limited liability company	RMB10,000,000	**100%**	100%	Research, development and distribution of APA software products
香港研祥國際科技有限公司 Hong Kong EVOC International Technology Company Limited	Hong Kong, limited liability company	HKD100,000	**100%**	100%	Research, development and distribution of APA software products
合肥研祥智能科技有限公司 Hefei EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB1,000,000	**100% (Note (b))**	—	Research, development and distribution of APA software products
蘇州研祥智能科技有限公司 Xuzhou EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100% (Note (b))**	—	Research, development and distribution of APA software products
濟南研祥智能科技有限公司 Jinan EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB1,000,000	**100% (Note (a) & (b))**	—	Research, development and distribution of APA software products
瀋陽市研祥智能科技有限公司 Shenyang EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB1,000,000	**100% (Note (a) & (b))**	—	Research, development and distribution of APA software products

Notes:

(a) The 100% equity interests in these subsidiaries are indirectly held by the Company. Equity interests in all other subsidiaries are directly held by the Company.

(b) These companies were incorporated in 2009.

Amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

20. INVENTORIES

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Raw materials	**36,895**	**36,868**	29,298	29,274
Work-in-progress	**12,582**	**12,581**	15,134	15,134
Finished goods	**49,700**	**47,100**	50,312	51,949
	99,177	**96,549**	94,744	96,357
Less: Impairment loss	**(6,878)**	**(4,977)**	(5,115)	(4,755)
	92,299	**91,572**	89,629	91,602

The cost of inventories recognised as an expense during the year was RMB941,364,000 (2008: RMB907,669,000), of which RMB1,763,000 was in respect of write-off of inventories (2008: RMB1,036,000 was in respect of reversal of write-off of inventories made in prior years).

21. 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. Trade receivables are non-interest-bearing.

(a) An aging analysis of trade receivables as at the end of the reporting periods, based on the invoice date, is as follows:

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
0 to 90 days	**119,637**	**30,307**	130,142	34,763
91 to 180 days	**2,134**	**594**	8,446	6,373
181 to 365 days	**5,869**	**630**	2,864	985
Over 1 year	**1,811**	**1,129**	6,324	5,875
Trade receivables	**129,451**	**32,660**	147,776	47,996
Less: Allowance for doubtful debts	**(1,251)**	**(874)**	(4,023)	(3,798)
	128,200	**31,786**	143,753	44,198

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

21. TRADE RECEIVABLES (Continued)

(b) The movement in the allowance for doubtful debts during the year is as follows:

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
At beginning of year	**4,023**	**3,798**	1,484	1,484
Additional allowance for the year (Note 9)	**—**	**—**	2,539	2,314
Reversal of allowance for the year (Note 9)	**(2,772)**	**(2,924)**	—	—
At end of year	**1,251**	**874**	4,023	3,798

The allowance of RMB1,251,000 (2008: RMB4,023,000) has been made for estimated irrecoverable amounts from the sales of goods. The allowance has been determined by reference to past default experience.

(c) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Neither past due nor impaired	**64,406**	**14,405**	118,509	25,029
1 to 3 months past due	**56,579**	**16,159**	8,446	6,373
Over 3 months past due	**6,661**	**966**	4,669	2,566
	127,646	**31,530**	131,624	33,968

Receivables that were neither past due, nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. BILLS RECEIVABLE

Bills receivable are aged within six months. None of the bills receivable is either past due, impaired or relate to receivables for which there was recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Other receivables	**17,870**	**8,357**	19,043	16,267
Deposits	**2,412**	**685**	1,923	671
Prepayments	**9,160**	**7,756**	15,916	15,109
	29,442	**16,798**	36,882	32,047
Less: Portion classified as current assets	**(29,442)**	**(16,798)**	(31,882)	(27,047)
Non-current portion	**–**	**–**	5,000	5,000

24. CASH AND CASH EQUIVALENTS

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Cash and bank balances	**303,866**	**243,906**	194,017	184,056
Time deposits	**1,013,500**	**910,000**	830,000	830,000
	1,317,366	**1,153,906**	1,024,017	1,014,056
Less:				
Pledged bank balance	**(29)**	**(29)**	(29)	(29)
Time deposits with original maturity of more than three months when acquired	**(910,000)**	**(910,000)**	(830,000)	(830,000)
	(910,029)	**(910,029)**	(830,029)	(830,029)
Cash and cash equivalents	**407,337**	**243,877**	193,988	184,027

The bank balance of RMB29,000 (2008: RMB29,000) was pledged to a bank for issuance of bank guarantee to a subcontractor of the Company.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods over three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2009, a majority of cash and bank balances was denominated in RMB. RMB is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the cash and cash equivalents approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

25. BANK BORROWINGS

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Bank loans				
— secured	**192,000**	**192,000**	480,000	480,000
— unsecured	**830,000**	**800,000**	300,000	300,000
	1,022,000	**992,000**	780,000	780,000
The borrowings are repayable as follows:				
On demand or within one year	**446,000**	**416,000**	588,000	588,000
After one year but within two years	**124,000**	**124,000**	16,000	16,000
After two years but within five years	**368,000**	**368,000**	92,000	92,000
After five years	**84,000**	**84,000**	84,000	84,000
	576,000	**576,000**	192,000	192,000
	1,022,000	**992,000**	780,000	780,000

The Group has five principal bank loans as at 31 December 2009:

(i) a loan of RMB192,000,000 (2008: RMB200,000,000) repayment of which should commence on 21 October 2009 and continue until 21 October 2015. The loan is secured by charges over certain of the Group's lease prepayments, buildings and investment properties (Notes 15, 16 and 17), personal guarantees given by an executive director of the Company and his spouse and a corporate guarantee given by the ultimate holding company of the Company (Note 33), and carries interest at a floating rate of 7.66% (2008: 7.74%) per annum.

(ii) a loan of RMB400,000,000 (2008: nil) repayment of which should commence on 21 March 2011 and continue until 21 March 2012. The loan is secured by personal guarantees given by an executive director of the Company and carries interest at a floating rate of 4.86% per annum.

(iii) a loan of RMB200,000,000 (2008: nil) which is due for repayment in March and April 2010, is secured by a corporate guarantee given by the ultimate holding company of the Company and carries interest at a floating rate of 4.78% per annum.

(iv) a loan of RMB200,000,000 (2008: nil) which is due for repayment in March 2010, secured by a corporate guarantee given by ultimate holding company of the Company and carries interest at a fixed rate of 5.31% per annum.

(v) a loan of RMB30,000,000 (2008: nil) which is borrowed by a subsidiary of the Company, due for repayment in December 2010, secured by the corporate guarantee given by the Company and carries interest at a fixed rate of 5.31% per annum.

At 31 December 2009, the Group had available undrawn committed borrowing facilities of RMB450,000,000 (2008: nil) in respect of which all conditions precedent had been met. The facilities are secured by certain of the Group's lease prepayments, buildings, investment properties and certain construction in progress (Notes 15, 16 and 17).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

26. TRADE PAYABLES AND BILLS PAYABLE

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Trade payables	**84,570**	**40,661**	112,957	48,986
Bills payable	**14,098**	**14,098**	13,099	13,099
	98,668	**54,759**	126,056	62,085

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

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
0 to 90 days	**95,112**	**52,104**	122,232	58,271
91 to 180 days	**608**	**398**	2,442	2,442
181 to 365 days	**159**	**38**	512	502
Over 1 year	**2,789**	**2,219**	870	870
	98,668	**54,759**	126,056	62,085

27. OTHER PAYABLES AND ACCRUALS

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Payables for land lease premium and related tax (Note 17(d))	**220,252**	**—**	228,565	—
Other payables	**32,584**	**21,682**	35,029	30,749
Other taxes payable	**5,602**	**5,275**	17,945	7,830
Payables to sub-contractors	**17,126**	**10,881**	11,840	—
Accruals	**5,238**	**2,391**	9,508	6,600
	280,802	**40,229**	302,887	45,179

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

28. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

The Group	Unrealised profit on inter company transactions RMB'000	Amortisation of lease prepayments RMB'000	Revaluation of properties RMB'000	Doubtful debts and provision RMB'000	Tax losses RMB'000	Total RMB'000
At 31 December 2007	(7,362)	(7,079)	201,826	(711)	—	186,674
Charged/(credited) to profit or loss (Note 12(a))	842	7,079	(4,697)	(281)	—	2,943
Charged to equity (Note 15)	—	—	4,336	—	—	4,336
At 31 December 2008	(6,520)	—	201,465	(992)	—	193,953
Charged/(credited) to profit or loss (Note 12(a))	426	—	(5,818)	(163)	(1,183)	(6,738)
Effect of change in tax rate	1,536	—	—	320	—	1,856
	1,962	—	(5,818)	157	(1,183)	(4,882)
Credited to equity (Note 15)	—	—	(1,764)	—	—	(1,764)
At 31 December 2009	(4,558)	—	193,883	(835)	(1,183)	187,307

The Company	Unrealised profit on inter company transactions RMB'000	Revaluation of properties RMB'000	Doubtful debts and provision RMB'000	Tax losses RMB'000	Total RMB'000
At 31 December 2007	(1,736)	27,367	(711)	—	24,920
Charged/(credited) to profit or loss	1,736	105	(197)	—	1,644
Charged to equity	—	4,336	—	—	4,336
At 31 December 2008	—	31,808	(908)	—	30,900
Credited to profit or loss	(23)	(57)	(153)	(1,183)	(1,416)
Change in tax rate	—	—	286	—	286
	(23)	(57)	133	(1,183)	(1,130)
Credited to equity	—	(2,722)	—	—	(2,722)
At 31 December 2009	(23)	29,029	(775)	(1,183)	27,048

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

28. DEFERRED TAXATION (Continued)

(a) Deferred tax balances are presented in the statement of financial position as follows:

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Deferred tax assets	**(1,207)**	**—**	(1,709)	—
Deferred tax liabilities	**188,514**	**27,048**	195,662	30,900
	187,307	**27,048**	193,953	30,900

The Group has unused tax losses arising in the PRC of RMB87,903,000 (2008: RMB72,458,000) that can be carried forward for five years and unused losses arising in Hong Kong of RMB4,380,000 (2008: RMB1,666,000) that can be carried forward indefinitely for offsetting against its future taxable profits.

The unused tax losses arising in the PRC will expire as follows:

	2009 Group RMB'000	2009 Company RMB'000	2008 Group RMB'000	2008 Company RMB'000
Year of expiry				
2009	**—**	**—**	4,654	4,654
2010	**14,432**	**757**	15,898	2,223
2011	**9,924**	**538**	10,608	1,191
2012	**19,520**	**2,726**	19,489	2,270
2013	**24,874**	**5,978**	21,809	1,616
2014	**19,153**	**1,910**	—	—
	87,903	**11,909**	72,458	11,954

The Group and the Company recognised a deferred tax asset of RMB1,183,000 (2008: nil) regarding unused tax losses of RMB7,886,000 (2008: nil). No deferred tax assets have been recognised for the remaining unused tax losses of RMB84,397,000 (2008: RMB74,124,000) as the availability of future taxable profit to utilise the temporary differences is not probable.

29. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
At 1 January 2008, 31 December 2008 and 2009	1,233,144,000	123,314
Of which:		
Domestic Shares of RMB0.1 each	924,792,000	92,479
H Shares of RMB0.1 each	308,352,000	30,835

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

29. SHARE CAPITAL (Continued)

Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal and natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35.

(b) Company

	Share premium RMB'000 (Note (i))	Statutory surplus reserve RMB'000 (Note (ii))	Properties revaluation reserve RMB'000 (Note (iii))	Translation reserve RMB'000 (Note (iv))	Retained profits RMB'000	Total RMB'000
At 31 December 2007	8,586	41,405	93,215	—	224,854	368,060
Total comprehensive income for the year, net of tax	—	—	(18,817)	565	138,577	120,325
Transfer between reserves	—	13,530	—	—	(13,530)	—
At 31 December 2008	8,586	54,935	74,398	565	349,901	488,385
Total comprehensive income for the year, net of tax	—	(154)	6,084	(40)	145,106	150,996
Transfer between reserves	—	14,638	—	—	(14,638)	—
At 31 December 2009	8,586	69,419	80,482	525	480,369	639,381

(i) Share premium

Share premium represents premium arising from the issue of shares issued at a price in excess of their par value per share.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

30. RESERVES (Continued)

(b) Company (Continued)

(ii) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company and its PRC subsidiaries were required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(iii) Properties revaluation reserve

This has been set up and is dealt with in accordance with the accounting policy in Note 4(d).

(iv) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(p).

(v) Profit appropriations

In accordance with the Company's Articles of Association, the profit for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places in which its shares are listed.

The Company and its subsidiaries were required to transfer 5% — 10% of their profit after tax to the statutory surplus reserve. The directors of the Company and its subsidiaries can decide not to transfer the respective companies' profit after tax until such reserve reaches 50% of the registered capital of the respective companies.

31. OPERATING LEASE COMMITMENTS

As lessee

The Group and the Company lease certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009		2008	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**8,227**	**3,787**	12,282	3,514
In the second to fifth years, inclusive	**5,361**	**3,439**	8,278	1,491
	13,588	**7,226**	20,560	5,005

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

31. OPERATING LEASE COMMITMENTS (Continued)

As lessor

At the end of reporting period, the Group's and the Company's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2009		2008	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**15,504**	**16,408**	8,345	8,345
In the second to fifth years, inclusive	**20,872**	**22,342**	12,715	12,715
	36,376	**38,750**	21,060	21,060

32. CAPITAL COMMITMENTS

	2009		2008	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Authorised but not contracted for:				
— payment of construction costs	**541,604**	**436,105**	—	—
— purchase of property, plant and equipment	**14,400**	**14,400**	—	—
	556,004	**450,505**	—	—
Contracted but not provided for:				
— Capital contribution to a subsidiary (Note)	**—**	**557,776**	—	656,674
— payment of construction costs	**48,144**	**13,895**	152,542	—
— purchases of land lease payments	**—**	**—**	46,047	46,047
	48,144	**571,671**	198,589	702,721
	604,148	**1,022,176**	198,589	702,721

Note:

The Company has contracted to acquire 51% of the enlarged capital of SHIOC at the consideration of RMB717,898,000 which shall be fully settled by 15 November 2009, out of which RMB61,224,000 and RMB160,122,000 has been paid up as at 31 December 2008 and 2009 respectively.

Feng Shui Long and SHIOC have consented that the Company may pay up the remaining amount in stages depending on the capital requirements of the development of Wuxi Land from time to time.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

33. RELATED PARTY TRANSACTIONS

At 31 December 2009, the directors consider the ultimate holding company of the Group to be Shenzhen Yanxiang Wangke Industry Company Limited, which was incorporated in the PRC.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than as disclosed elsewhere in the financial statements, during the year and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group.

(a) The Company's bank borrowings are secured by, among others, corporate guarantees given by the ultimate holding company and personal guarantees given by an executive director and his spouse. There was a charge over a property of the executive director with an open market value of RMB5,178,000 as at 31 December 2008. This charge was released in 2009.

(b) Rental income of RMB896,400 (2008: RMB1,368,000) was received from a related company controlled by an executive director of the Company. The rental was calculated with reference to market rate.

(c) Members of key management during the year comprised the three executive directors only whose remuneration is set out in Note 10 to the financial statements.

34. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For the purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings and trade and other payables), less time deposits and cash and bank balances. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

34. CAPITAL RISK MANAGEMENT (Continued)

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

	2009 RMB'000	2008 RMB'000
Current liabilities:		
Trade payables	**84,570**	112,957
Bills payable	**14,098**	13,099
Income tax payable	**7,990**	13,739
Other payables and accruals	**280,802**	302,887
Bank borrowings	**446,000**	588,000
	833,460	1,030,682
Non-current liabilities:		
Bank borrowings	**576,000**	192,000
Total debts	**1,409,460**	1,222,682
Less: Time deposits and cash and bank balances	**(1,317,366)**	(1,024,017)
Net debt	**92,094**	198,665
Total equity	**1,434,624**	1,366,513
Net debt-to-adjusted capital ratio	**6%**	15%

35. FINANCIAL RISK MANAGEMENT

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 13% (2008: 28%) of the total trade and other receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 21.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Bank borrowings	**1,022,000**	**1,137,997**	**461,659**	**153,333**	**436,465**	**86,540**
Trade payables	**84,570**	**84,570**	**84,570**	**—**	**—**	**—**
Bills payable	**14,098**	**14,098**	**14,098**	**—**	**—**	**—**
Other payables	**269,962**	**269,962**	**269,962**	**—**	**—**	**—**
	1,390,630	**1,506,627**	**830,289**	**153,333**	**436,465**	**86,540**
2008						
Bank borrowings	780,000	870,211	622,155	30,630	125,103	92,323
Trade payables	112,957	112,957	112,957	—	—	—
Bills payable	13,099	13,099	13,099	—	—	—
Other payables	275,434	275,434	275,434	—	—	—
	1,181,490	1,271,701	1,023,645	30,630	125,103	92,323

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Company	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Bank borrowings	**992,000**	**1,106,452**	**430,114**	**153,333**	**436,465**	**86,540**
Trade payables	**40,661**	**40,661**	**40,661**	**—**	**—**	**—**
Bills payable	**14,098**	**14,098**	**14,098**	**—**	**—**	**—**
Other payables	**32,563**	**32,563**	**32,563**	**—**	**—**	**—**
Amounts due to subsidiaries	**125,019**	**125,019**	**125,019**	**—**	**—**	**—**
	1,204,341	**1,318,793**	**642,455**	**153,333**	**436,465**	**86,540**
Financial guarantee issued						
Maximum amount guaranteed		31,545	31,545	—	—	—
2008						
Bank borrowings	780,000	870,211	622,155	30,630	125,103	92,323
Trade payables	48,986	48,986	48,986	—	—	—
Bills payable	13,099	13,099	13,099	—	—	—
Other payables	30,749	30,749	30,749	—	—	—
Amounts due to subsidiaries	170,249	170,249	170,249	—	—	—
	1,043,083	1,133,294	885,238	30,630	125,103	92,323

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

The following table details the interest rate profile of the Group's bank borrowings at the end of reporting period.

	2009 Effective interest rate %	2009 RMB'000	2008 Effective interest rate %	2008 RMB'000
Fixed rate borrowings				
Bank borrowings	**5.310%**	**230,000**	5.580%	100,000
Variable rate borrowings				
Bank borrowings	**4.779%–7.664%**	**792,000**	7.270%-8.217%	680,000
Variable rate cash and bank balances	**0.347%**	**(303,540)**	0.265%	(193,833)
Net exposure to variable interest rate risk		**488,460**		486,167

It is estimated that as at 31 December 2009, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax expenses and retained profits by RMB4,885,000 (2008: RMB4,862,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group's main operations are in the PRC and have no significant exposure to any specific foreign currency.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

(f) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows:

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,486,770**	1,197,877
Financial liabilities		
Financial liabilities measured at amortised cost	**1,390,630**	1,181,490

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2010.

PARTICULARS OF PROPERTIES

Location	Approximate gross floor area (square metres)	Nature of property	Interest attributable to Group	Lease term
Properties held for self-use and for rental purposes				
EVOC Building No 31, Gaoxinzhong Si Road Nanshan District, Shenzhen Guangdong Province The People's Republic of China	62,153	Commercial	100%	Medium term lease
Properties held for rental purpose				
Unit Nos. 10B1 and 10B2 Level 10, Tianxiang Building Tianan Cyber Park Chegongmiao Futian District Shenzhen Guangdong Province The People's Republic of China	1,152	Industrial	100%	Medium term lease
Properties under development				
A parcel of land located at South of Xihu Road West of Fangtong Road (Block no: XXDG 2003-28) Wuxi Jiangsu Province The People's Republic of China	730,000	Commercial	51%	Medium term lease
A parcel of land located at Guangming Gaoxin Yuan Qu (Block no: A508-0030) Guangming, Shenzhen Guangdong Province The People's Republic of China	200,184	Industrial	100%	Medium term lease

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

Financial year		**2009**	2008	2007	2006	2005
		Year ended 31 December				
Revenue	RMB'000	**1,191,698**	1,211,090	602,626	278,643	233,445
Gross Profit	RMB'000	**250,334**	303,421	231,654	115,794	90,452
Gross Margin	%	**21.01**	25.05	38.44	41.56	38.75
Profit for the year	RMB'000	**62,783**	97,223	154,436	81,973	45,126
Net Margin	%	**5.27**	8.03	25.63	29.42	19.33
Basic Earnings Per Share (Note)	RMB	**0.063**	0.092	0.125	0.066 (Restated)	0.037 (Restated)
Cash Generated from Operations	RMB'000	**57,430**	186,994	(1,511)	70,868	45,131
Trade Receivables Turnover	Days	**39**	43	78	41	45

FINANCIAL POSITION

Financial year		**2009**	2008	2007	2006	2005
		31 December				
Total Assets	RMB'000	**3,032,598**	2,784,857	2,314,105	476,893	343,993
Total Liabilities	RMB'000	**1,597,974**	1,418,344	1,026,624	102,237	52,190
Total Time Deposits and Cash and Cash Balances	RMB'000	**1,317,366**	1,024,017	571,061	239,447	201,307
Shareholders' Funds	RMB'000	**1,434,624**	1,366,513	1,287,542	324,656	291,803
Net Assets per Share	RMB	**1.163**	1.108	1.044	0.304	0.625
Dividend per Share	RMB	**—**	—	—	—	—

Note:

The calculation of basic earnings per share amounts is based on the net profit attributable to owners of the Company for the year of RMB78,167,000 (2008: RMB113,262,000) and the 1,233,144,000 (2008: 1,233,144,000) ordinary shares in issue during the year.