研祥智能科技股份有限公司

EVOC Intelligent Technology Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code : 2308

2011 Annual Report

*for identification purpose only

ATM Solution

Rail Transit Solution

Medical Treatment Solution

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive directors

Ling Chun Kwok
Dai Lin Ying
Wang Zhao Hui
An Jian

SUPERVISORS

Pu Jing *(Chairperson)*
Zhan Guo Nian
Zhang Zheng An
Wen Bing
Dong Lin Xin

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

Ling Chun Kwok *(Chairperson)*
Wang Zhao Hui
An Jian

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

Chen Zhi Lie *(Chairperson)*
Wang Zhao Hui
Dai Lin Ying

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 Certified Public Accountants
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

STOCK CODE

2308

CORPORATE BACKGROUND

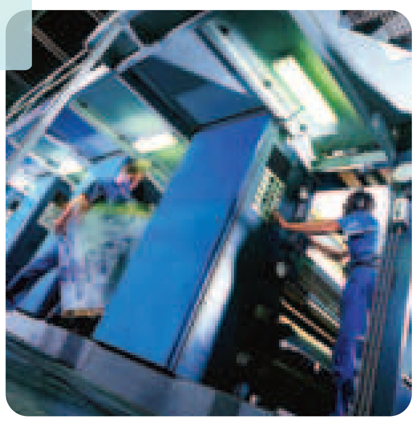
EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM (the "GEM") of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the GEM to the Main Board (the "Main Board") of the Stock Exchange on 12 July 2010. The Company and its subsidiaries ("Group") are principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products, trading of electronic accessories and development of properties in the PRC. As at 31 December 2011, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB2.9 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 authorised distribution agents, system integrators, construction and building surveillance agents, software developers and IT manufacturers in the PRC.

Industrial Solution

Wind Power Automation Control Solution



Networking Solution

CHAIRMAN'S STATEMENT

Chen Zhi Lie
Chairman

TO OUR SHAREHOLDERS,

On behalf of the board of directors, I am pleased to present the annual report of EVOC Intelligent Technology Company Limited (our "Company" or the "Company") and its subsidiaries for the year ended 31 December 2011 (the "Year") to our shareholders.

The Company engages in the research and development, manufacture and distribution of Advanced Process Automation ("APA") products since 1993 with a 18-year history of continuous operation. The Company's shares were listed on the Grow Enterprise Market of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the Grow Enterprise Market to the Main Board of the Stock Exchange of Hong Kong on 12 July 2010 with the stock code 02308.HK, and is the only listed company of the industry in the PRC.

CHAIRMAN'S STATEMENT

Solar Energy Solution

Power Remote Monitoring Solution

Telecom Solution

RESULT OF THE YEAR

The Group recorded a turnover of RMB1,111 million and a profit for the year of RMB88 million for the year ended 31 December 2011. The Group's core business and production were stable with an increase in its profit margin as compared with that of last year due to effective cost control measures implemented. The Group's profit attributable to owners of the Company was RMB93.5 million. The increase was mainly attribute from decrease in amortisation of land lease prepayments and gains on revaluation of investment properties. The Group has continued focusing on research and development on new products. The management believes the new products will have good contribution to the Group in the coming future.

BUSINESS REVIEW

During the period under review, the Company continued to engage in the research and development, manufacture and distribution of Advanced Process Automation ("APA") products, trading of electronic accessories and development of properties in China, and worked unswervingly to upgrade and transform Chinese traditional industries to facilitate their development by using information technology, artificial intelligence, digitalisation and automation. As the sole member of INTEL ICA among APA manufacturers in Mainland China, and being the world first premium partner with Microsoft in the embedded technology field since the end of 2011, the Company possesses the qualification of simultaneous research and development and production of chip products, and thus manages to rapidly provide innovative solutions to foster market development. With the establishment of a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on the application of embedded technology, the Company has the dominance in deciding the formulation of national standards for the Chinese APA industry. The "EVOC" trademark of the Company was identified as "Famous Trademark of China" by the State Administration for Trade and Industry, which is also the first famous trademark obtained by APA enterprise in China. The trademark enhanced the international influence for the "EVOC" trademark of the Company, and the effective protection of its proprietary intellectual property rights and trademark brands, thereby significantly enhancing its overall competitive edges.

During the period, amidst the international environment with substantial fluctuations and lower-than-expected growth of the global economy, China has maintained a steady yet relatively fast development. The growth pace of the production of information industry continued to rebound, while investment in infrastructure focusing on energy (safety control of coal mines), transportation (railway transportation control), environmental protection (pollution sources monitoring), as well as the market size for 100-billion level terminal replacement brought by 3G mobile communication

CHAIRMAN'S STATEMENT

also maintain rapid growth, thereby providing the Company with a more extensive market and development opportunity. The Company has enhanced its market competitiveness via re-integration of internal management structure and structural adjustment, thereby achieving relatively satisfactory operating results during the period under review.

The Company engaged in the construction and operation of service sub-contracting base project via the investment in 無錫深港國際服務外包產業發展有限公司 (formerly known as "Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited", hereunder "Wuxi Company"). During the period under review, the service sub-contracting base project of Wuxi Company has achieved smooth progress, and the Prime New Plaza has now been completed with sales commenced, bringing a steady cash flow to the Company. The service sub-contracting project is the expansion and extension of the Company's existing business, which will take an active role in fostering the development of the existing business and adding a new profit growth point.

RESEARCH & DEVELOPMENT

Riding on its core competitive strategies of "applying innovative proprietary capabilities to develop its own brands" and its research and development objectives of "enhancing quality of its products, lowering production cost and reducing product R&D cycle", 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 2011, the Company's spending in R&D accounted for over 4.6% of the total turnover, while co-establishing the joint laboratory of embedded technology with AMD Company and the Laboratory Institution of Beijing University of Technology in the same period, and thus achieving excellent economic and social efficiency.

During the period under review, the Company placed focus on the research and development of new products, including:

1. Railway transportation ERC series products. This product is used as the main controller for the automatic ticket vending and checking system, passenger information system, platform screen door system, environment monitory system, fire fighting and control system as well as carriage capacity control system of the railway transport sector.

2. Intelligent transportation MEC series products. This product could impose control on the externally connected equipment to realise the collection, storage and transmission of information, which could be applied in various systems within the scope of intelligent transportation system, such as the urban transportation intelligent adjustment system, highway intelligent adjustment system, operating vehicle adjustment and management system as well as the electronic police system.

3. New energy sector (wind power) automatic control PPC tablet computer series products. This product is used as the monitory, displaying and operation controller within the main control system for wind power generation, and could be applied in the exchange of local data on offshore/onshore wind power generators as well as the exchange of data of the groups of wind power generators set under towers, thereby realising the control and display of the operation status of the system, setup of parameters for groups of wind power generators, enquiries and statistic research on historical data as well as enquiries on error record.

4. Communication sector MicroTCA products. This product possesses a high level of flexibility, extremely high concentration level, and high flexibility of expansion and management capability. With tiny size and low cost, the product could be applied in the difference areas of 3G communication network, such as communication business system, connection system gateway and handling of IP media.

5. Financial sector MEC computer products. With complex structure, highly effective functions and low consumption level, this product has superb data handling capability, excellent expansion capacity and smooth data channel, making it prefect for key business application for financial sector in respect of ATM, electronic commerce, ERP and data center, especially the ATM equipment system.

During the period, the construction of the Company's R&D/interim testing base in Shenzhen, China has been successfully completed, and internal renovation as well as integration of resources and facilities is currently in progress. With a site area exceeding 80,000 square meters and a gross floor area of 230,000 square meters, the R&D/interim testing base will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products. Upon the opening of the project, the Company will undergo reconstruction of its R&D structure in accordance with its development strategies and business plan, whereby the R&D cycle will probably be shortened with enhanced efficiency, and its overall market competitiveness will also be strengthened.

PRODUCTS AND SALES

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

The Company will continue to operate on a marketing strategy and sales model in Mainland China with focus on direct sales and support by agents and enhanced customers' understanding towards our products and technology on a basis of learning marketing by organising industrial application seminars, experience exchange meetings for users, etc. on one hand. On the other hand, the Company will strengthen public recognition of the "EVOC" brand and its influence in the APA sector and the attractiveness of its products to the market through mounting marketing efforts including organizing industrial exhibitions and advertising on media, etc.

During the period, the Company organised the national technology exchange meeting named "EVOC — Technology Exchange Meeting of the Core Control of Industrial Equipment" (研祥智造 — 產業裝備之控制核心), and sponsored and participated in the Wind River Annual Developer Meeting 2011. At the same time, the Company also participated in the following exhibitions and technology exchange meetings in China: 1. "2011 Intel Developer Forum (IDF)" (2011英特爾信息技術峰會) in Beijing, China; 2. "Exhibition of the Report of Results of the 11th 5-Year Plan Electronic Fund" (「十一五」電子發展基金成果彙報展示會) in Beijing, China; 3. "International Wind Power Meeting and Exhibition 2011" (2011北京國際風能大會暨展覽會) in Beijing, China; 4. " China Automation Meeting 2011 and Memorial Activities on 100th anniversary of the birth of Qian Xuesen and 50th anniversary of China Automation Association" (2011中國自動化大會暨錢學森誕辰一百周年及中國自動化學會五十周年紀念活動) in Beijing, China; 5. "3rd International Digital Signage and Large Screen Display Show" (第三屆國際數字標牌及大屏幕顯示展覽會) in Shanghai, China; 6. "Seminar on Application of Embedded Industry in Eastern China Region 2011" (2011華東區微軟嵌入式行業應用研討會) in Shanghai, China; 7. "Seminar on Rail Transportation in the Mainland, Hong Kong, Macao and Taiwan" (兩岸四地軌道交通研討會) in Shenzhen, China; 8. "65th China International Medicinal Equipment Fair " (第65屆中國國際醫療器械博覽會) in Shenzhen, China; 9. "Railway Transportation Development Forum of China 2011" (「2011中國城市軌道交通發展論壇」) in Zhejiang, China; 10. "Public Welfare, Health and Science Exhibition" (公益性健康主題科普展覽會) in Hangzhou, China; 11. "COMPUTEX 2011 International Computer Exhibition" (COMPUTEX 2011台北國際電腦展) in Taipei; 12. "International Electronic and Automatic Systems and Components Exhibition" (國際電氣自動化系統及元件展覽會 (SPS/IPC/DRIVES)) in Nuremberg, Germany; 13. "6th AIMEX 2011" (2011第六屆印度國際自動化展) in Mumbai, India.

CHAIRMAN'S STATEMENT

The Company was awarded the "Award on Outstanding Contributions to Innovation in China" (創新中國傑出貢獻獎), while the "Non-classic Management Model" of the Company was awarded "The 4th Management Academy Award in China" (第四屆中國管理學院獎). Mr. Chen Zhi Lie, the Chairman, was awarded "The Achievement Award of the Mission of Computer Industry Development in China" (中國計算機行業發展成就任務成就獎). At the same time, the Company further enhanced internal management, improved labor relationship, boosted employees' scenes of belonging to the Company and thus was named "The Top Hundred Advanced Corporation with Harmonious Labor Relationships in Guangdong Province".

OUTLOOK & PROSPECTS

In 2012, under the impact of debt crisis in the United States and Europe, global economy would probably be in a complex situation with increasing uncertainties. With pressure of slowdown imposed on domestic demand and the increase in possibility of the deterioration of various risks, there exists a certain degree of uncertainty on the overall growth of demand in China. During the period of China's Twelfth Five-Year Plan, energy conservation and reduction of pollutants will be an important strategic issue and target of sustainable development of economy and society in the future. As a popular sector that continues to develop and innovate, APA is an advanced technology which helps to enhance production, improve efficiency, conserve energy, reduce consumption and reduce pollution. In the past, APA sector developed rapidly given the mass development of industrial economy in China. Now, under the advocates for energy conservation and pollution reduction in China, APA being a strategic emerging industry within the high-end equipment manufacturing industry significantly benefited from China's Twelfth Five-Year Plan, would probably encounter another golden era of development.

The introduction of a series of energy conservation and pollution reduction policies and measures accelerates the pace of structural adjustment of traditional industries in China and significantly influences future direction and development of corporations in the automation sector. The deceleration of growth in economy and investment implies the slowdown in growth of both capital intensive industry and labour intensive industry, which related closely to fixed asset investment. Amidst the new market condition, the Company will adjust and control productivity and production capacity of the original products, while following the industrial policy and investment policy of the country to pursue business opportunities being created under the cultivation and development of strategic and emerging industries so as to expand the scale of our business and profitability. At the same time, the Company will continue to utilise its competitive advantages and resources proactively while upholding its own brand, technology innovation and the strategy of overseas market to consistently enhance our own core competitiveness as well as establish and consolidate our leading status in the application and development of APA in China.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude towards our customers, partners, suppliers and shareholders for their unfailing support, and to extend our appreciation to all members of the Board, management and staff for their contributions and dedications to the Company. Looking forward, our staff will continue to fully commit themselves and raise up their efforts, and I strongly believe that the Company will still achieve satisfactory economic efficiency to strive for fruitful returns for our shareholders.

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 29 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

For the year ended 31 December 2011, the Group's reported a total revenue of RMB1,111.0 million (2010: RMB1,277.2 million) analysed by product category as follows:

Turnover by product Categories

Sales of Products	2011 RMB'000	2010 RMB'000	Change Percentage
Board-type APA	314,618	398,231	–21.0%
Chassis-type APA	243,359	318,475	–23.6%
Remote data modules	14,479	18,503	–21.7%
APA products	572,456	735,209	–22.1%
Electronic accessories	538,593	541,973	–0.6%
Total	1,111,049	1,277,182	–13.0%

Turnover by Geographical Location

Regions in China	2011 RMB'000	2010 RMB'000	Change Percentage
South China	762,929	862,543	–11.5%
North and Northeast China	183,864	194,780	–5.6%
East China	131,568	94,317	+39.5%
Southwest China	2,354	27,176	–91.3%
Northwest China	17,267	21,053	–18.0%
Export sales	13,067	77,313	–83.1%
Total	1,111,049	1,277,182	–13.0%

During the period under review, the Group's revenue fell by 13.0% to RMB1,111.0 million as compared with last year. Such fall is mainly due to changes of marketing strategies in reducing the lower margin customers.

COST OF SALES

Cost of sales decreased 16.5% from RMB1,057.9 million in 2010 to RMB883.2 million in 2011. The decrease was mainly resulted from raw materials sourcing improvement.

GROSS PROFIT

Gross profit in 2011 was approximately RMB227.9 million, an increase of 3.9% compared to RMB219.3 million in 2010. This result from effective cost control measures implemented.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

Other income increase from RMB63.4 million in 2010 to RMB68.6 million in 2011 mainly attribute to government subsidies.

Selling & Distribution costs

The selling and distribution costs increased 20.0% from RMB42.1 million in 2010 to RMB50.5 million in 2011 due to increased in advertising cost and salaries expenses of sales team.

Administrative Expenses

The administrative expenses decreased 36.8% from RMB75.8 million in 2010 to RMB47.9 million in 2011 principally due to decrease of amortisation of land lease prepayments.

Research & Development costs

The research and development costs increased 6.8% from RMB48.3 million in 2010 to RMB51.6 million in 2011 due to increased in material parts consumables and salary expenses of research and development staff.

Finance Costs

Finance costs decreased 42.3% from RMB56.9 million in 2010 to RMB32.8 million in 2011 due to capitalisation of interest expenses in Wuxi properties development.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company increased from RMB57.4 million in 2010 to RMB93.5 million in 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internally resourced and banking facilities generally by bankers in the PRC. As at 31 December 2011, the Group's gearing ratio had increased to 54.4% (calculated on the basis of the Group's total liabilities over total assets) from 52.7% as at 31 December 2010. At the year end date the Group's total bank borrowings amounted to RMB1,012 million (2010: RMB942 million). The Group's cash and bank balances as at 31 December 2011 has decreased to RMB1,160 million (2010: RMB1,280 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 2.18 times as at 31 December 2011 (2010: 1.77 times).

FOREIGN EXCHANGE EXPOSURES

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 Group has no contingent liabilities at 31 December 2011.

PLEDGE OF ASSETS

At 31 December 2011, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximately RMB876.2 million (2010: RMB602.3 million) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

CAPITAL STRUCTURE

Details of movements in the share capital of the Group during the year are described in note 30.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had total workforce of 1,535 (2010: 1,706). Employee benefit during the year were RMB87.6 million.

The Group recognises the importance of high caliber and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are mainly in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. The Group remunerates its employees based on performance, experience and prevailing industry practices. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 48, the chairman, an executive director and the Chairman of the nomination committee 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 24 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. In 2010, Mr. Chen was elected as a Nation commissar of the Chinese People's Political Consultative Conference (CPPCC)

Tso Cheng Shun (曹成生), aged 83, 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 50, an executive director, the compliance officer and a member of remuneration and review committee 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

Ling Chun Kwok (凌鎮國), aged 50, an independent non-executive director and the Chairman of the audit committee of the group. Mr. Ling graduated from the University of Hong Kong with a bachelor degree of Accounting in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. Mr. Ling has over 21 years of experience in auditing, financial management and corporate finance in Hong Kong and in the People's Republic of China. Before joining the Company, he worked as the financial controller and company secretary in China Eco-Farming Ltd. (formerly known as Linefan Technology Holdings Limited) (stock code: 8166) and China Metal Resources Holdings Ltd. (stock code: 8071), which are both listed companies on Stock Exchange. He is currently working as a senior consultant in Wangrise Consultants Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

Dai Lin Ying (戴琳瑛), aged 48, an independent non-executive director and a member of nomination committee of the Group. 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 19 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.

Wang Zhao Hui (王昭輝), aged 43, an independent non-executive director, a member of audit committee, a member of nomination committee and the Chairman of remuneration and review committee of the group. 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 17 years of experience in marketing and corporate management. He is currently executive director and general manager of Shenzhen HYP Industries Limited (深圳市恒盈普泰實業有限公司).

An Jian (安健), aged 43, an independent non-executive director, a member of audit committee and a member of remuneration and review committee of the group. 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 18 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 46, an staff representative supervisor and the 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 21 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 41, an staff representative supervisor 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 20 years of experience in management and administration. Mr. Zhan joined the Company for management and administration work in March 2001.

Zhang Zheng An (張正安), aged 36, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He is a shareholder of Shenzhen Haoxuntong Industry Company Limited and has over 15 years of experience in management and administration.

Wen Bing (聞冰), aged 50, an independent supervisor of the Company. Mr. Wen obtained a bachelor degree in computer studies from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He has over 25 years of experience in computer engineering and had held various senior positions in state-owned enterprises and transnational corporation. He is currently an executive director and the general manager of ETechsoft Co., Ltd. (深圳市欣軼天科技有限公司) as well as the general manager and chief technical officer of Televoice China (Shenzhen) Limited (聲訊亞洲中國公司).

Dong Lixin (董立新), aged 52, an independent supervisor of the Company. Mr. Dong graduated from Tsinghua University (清華大學) in the PRC with a bachelor degree in automation in 1984 and he currently holds a managerial position in the engineering department in Shenzhen World Miniature Co. Ltd. in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 61, 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 23 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.

SENIOR MANAGEMENT

Liu Zhi Yong (劉志永), aged 38, is the general manager and is the head of research and development department of the Company. He joined the Company since 1999 and has served as software engineer, BIOS engineers, software manager, departmental head of technology R & D and vice president. He took up the general manager duties in 2010. Mr. Liu is a certificate holder in computer and the application from Nanchang University (南昌大學), and he obtained senior programmer qualifications of China Computer Application Software Practitioner Standard Examinations Board (中國計算機應用軟體人員水平考試委員會) in 1996. Mr. Liu has over 18 years of experience in computer engineering, control systems integration and enterprise management, and he has a number of invention patents and access to the Shenzhen Municipal Technological progress First and Second Class Prize (深圳市科技進步一、二等獎) since he joined the Company

Chen Xiang Yang (陳向陽), aged 45, the assistant general manager 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 17 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 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of Advanced Process Automation products, trading of electronic accessories and development of properties in the PRC. 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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 82.

The directors do not recommend the payment of final 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 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB669.0 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 44% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 24% of the Group's revenue for the year. 75% 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 58% of the Group's total purchases.

According to the best knowledge of the directors, neither the directors, their associates (as defined under the 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)*
Tso Cheng Shun
Zhu Jun

Independent non-executive directors:
Ling Chun Kwok
Dai Lin Ying
Wang Zhao Hui
An Jian

Supervisors:
Pu Jing *(Chairman)*
Zhan Guo Nian
Zhang Zheng An
Wen Bing
Dong Lixin

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 an annual confirmation of independence from each of its independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

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 2011, the interest and short positions of the Directors, supervisors (the "Supervisors") and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors as set out to in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(A) Long Position — Interests In The Company

Director	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
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	878,552,400 (Note 1)	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

Notes:

1. These Domestic Shares are held by EVOC Hi-Tech. Holding Group Co., Ltd. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) which is owned as to 70.5% by Mr. Chen Zhi Lie (陳志列) ("Mr. Chen") and 29.5% by Ms. Wang Rong (王蓉), spouse of Mr. Chen. By virtue of Mr. Chen's holding of more than one-third interest in EVOC Hi-Tech. Holding Group Co., Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by EVOC Hi-Tech. Holding Group 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 100% by Mr. Chen Zhi Lie (陳志列), an executive Director. By virtue of Mr. Chen Zhi Lie (陳志列) holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen Zhi Lie (陳志列) 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.

REPORT OF THE DIRECTORS

(b) Long position — interests in associated corporations

Directors	Associated corporation	Type of interests	Approximate percentage of holding of the total share capital of the associated corporation
Chen Zhi Lie (陳志列)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner Interest of spouse	70.5% 29.5%
Wang Rong (王蓉)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner Interest of spouse	29.5% 70.5%

Note:

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, 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
EVOC Hi-Tech. Holding Group Co., Ltd. (Note 1)	Registered and beneficial owner of the Domestic Shares	878,552,400	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列) (Note 1)	Interest of a controlled corporation	878,552,400	Domestic Shares	95.00%	71.25%
Shenzhen Haoxuntong Industry Co., Ltd. (Note 2)	Registered and beneficial owner of the Domestic Shares	46,239,600	Domestic Shares	5.00%	3.75%
Chen Zhi Lie (陳志列) (Note 2)	Interest of a controlled corporation	46,239,600	Domestic Shares	5.00%	3.75%

Note:

1. Mr. Chen is the beneficial owner of 70.5% interests in EVOC Hi-Tech. Holding Group Co., Ltd. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) and is deemed to be interested in the Domestic Shares owned by EVOC Hi-Tech. Holding Group 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 EVOC Hi-Tech. Holding Group Co., Ltd..

2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen Zhi Lie (陳志列), an executive Director. By virtue of Mr. Chen Zhi Lie (陳志列) holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen Zhi Lie (陳志列) 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.

Save as disclosed above:

(i) As at 31 December 2011, 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 are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; 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 2011, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

At no time during the year, the directors or supervisors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meanings of the SFO Ordinance).

SHARE OPTION SCHEME

Up to 31 December 2011, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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 2011.

COMPETING INTERESTS

None of the directors, initial management shareholders or their respective associates (as defined in the 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.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BANK BORROWINGS

As at 31 December 2011, the bank borrowings of the Group are set out in note 28 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 2011, the Group had authorised but not contracted for and contracted but not provided for were approximately RMB821.6 million (2010: RMB810.1 million) and RMB282.3 million (2010: RMB399.4 million) 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.

AUDITOR

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.

By Order of the Board

EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED*
Chen Zhi Lie
Chairman

Shenzhen, the PRC, 29 March 2012

* for identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period from 1 January 2011 to 31 December 2011.

THE BOARD

In accordance with good corporate governance principles, the Board convened regular and interim meetings in accordance with legal procedures and complied strictly with relevant laws, legal regulations and the Articles of Association of the Company in the exercise of its authority, with an emphasis on protecting the interests of the Company and its shareholders.

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 plan;

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 review approve the appointment of auditor of the Group;

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

BOARD COMPOSITION

The Board comprises seven directors, with three executive directors, four independent non-executive directors. The biographical details of all Directors are set out in pages 12 to 14 of this annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In full compliance with Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed four Independent Non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each of its Independent Non-executive Director the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers such directors to be independent in accordance with each and every guideline set out under the Listing Rules.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

The chairman and general manager of the Company are Chen Zhi Lie and Liu Zhi Yong 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.

BOARD MEETING

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 held four full Board meetings in the financial year ended 31 December 2011. 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	**Audit committee**	**Remuneration Committee**
Executive directors:			
Chen Zhi Lie *(Chairman)*	4/4	—	—
Tso Cheng Shun	4/4	—	—
Zhu Jun	4/4	—	1/1
Independent non-executive directors:			
Ling Chun Kwok	4/4	2/2	—
Dai Lin Ying	4/4	—	—
Wang Zhao Hui	4/4	2/2	1/1
An Jian	4/4	2/2	1/1

BOARD COMMITTEES

The Company has established Audit Committee, Remuneration Committee and Nomination Committee. The function of each specialized committee is to study pertinent issues in its area of expertise and to provide opinions and suggestions for consideration by the Board under defined terms of reference.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises one executive director, Mr. Zhu Jun. and two independent non-executive directors. Mr. Wang Zhao Hui and Mr. An Jian. Mr. Wang Zhao Hui is the chairman of the remuneration committee. Written terms of reference of the remuneration committee which comply with the code provisions set out in the Code has been adopted by the Board. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board. The remuneration committee held one meeting during the year ended 31 December 2011.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 11 to the financial statements.

NOMINATION COMMITTEE

Nomination Committee was established by the Board on 29 March 2012. The Nomination Committee is primarily responsible for considering and recommending to the Board suitably qualified persons to become the members of the Board and also reviewing the structure, size and composition of the Board on a regular basis and as required. Members of the Nomination Committee comprise Mr Chen Zhi Lie (Chairman), and two independent non-executive directors, Mr. Wang Zhao Hui and Ms. Dai Lin Ying.

During the financial year, no meeting was held by the Nomination Committee as the Nomination Committee was formed after the financial year.

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 has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Wang Zhao Hui and Mr. An Jian. Mr. Ling Chun Kwok is the chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 2011.

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$928,000 (2010:HK$860,000). Other than audit, no services such as due diligence and other advisory services were provided.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence. The Company determines the remuneration of the directors on the basis of their qualifications, experience and contributions.

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 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, 29 March 2012

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF 研祥智能科技股份有限公司
(known as EVOC Intelligent Technology Company Limited for identification purpose only)
(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 (together "the Group") set out on pages 27 to 82, which comprise the consolidated and company statements of financial position as at 31 December 2011, and 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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

Ng Wai Man
Practising Certificate Number: P05309
Hong Kong, 29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
Turnover	7	**1,111,049**	1,277,182
Cost of sales		**(883,191)**	(1,057,915)
Gross profit		**227,858**	219,267
Other income	7	**68,607**	63,398
Selling and distribution costs		**(50,502)**	(42,138)
Administrative expenses		**(47,859)**	(75,833)
Other operating expenses		**(62,640)**	(61,244)
Other gains and losses	8	**12,062**	(12,173)
Finance costs	9	**(32,830)**	(56,912)
Profit before income tax	10	**114,696**	34,365
Income tax (expense)/credit	12(a)	**(26,303)**	4,136
Profit for the year		**88,393**	38,501
Other comprehensive income, after tax			
Surplus on revaluation of buildings	16 & 29	**15,896**	6,849
Exchange difference on translating foreign operations		**369**	166
Other comprehensive income for the year, net of tax		**16,265**	7,015
Total comprehensive income for the year		**104,658**	45,516
Profit attributable to:			
— Owners of the Company		**93,535**	57,429
— Non-controlling interests		**(5,142)**	(18,928)
		88,393	38,501
Total comprehensive income attributable to:			
— Owners of the Company		**109,800**	64,444
— Non-controlling interests		**(5,142)**	(18,928)
		104,658	45,516
Earnings per share — Basic and diluted (RMB)	15	**0.076**	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	16	**593,812**	437,124
Investment properties	17	**95,418**	95,183
Prepaid land lease payments	18	**57,421**	428,320
Deferred tax assets	29	**1,302**	2,719
Total non-current assets		**747,953**	963,346
Current assets			
Inventories	20	**60,941**	36,644
Properties under development	21	**662,971**	—
Prepaid land lease payments	18	**1,287**	12,652
Trade receivables	22	**143,042**	157,418
Bills receivable	22	**48,572**	54,931
Other receivables, deposits and prepayments	23	**36,011**	30,906
Income tax recoverable		**130**	64
Cash and bank balances	25	**1,160,462**	1,279,692
Total current assets		**2,113,416**	1,572,307
Current liabilities			
Trade payables	26	**133,486**	109,038
Bills payable	26	**258**	18,035
Other payables and accruals	27	**301,350**	179,800
Bank borrowings	28	**519,000**	579,000
Income tax payable		**13,225**	842
Total current liabilities		**967,319**	886,715
Net current assets		**1,146,097**	685,592
Total assets less current liabilities		**1,894,050**	1,648,938
Non-current liabilities			
Other payables and accruals	27	**—**	5,000
Bank borrowings	28	**492,873**	362,828
Deferred tax liabilities	29	**97,731**	82,322
Total non-current liabilities		**590,604**	450,150
NET ASSETS		**1,303,446**	1,198,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(a)	**850,742**	740,942
Equity attributable to owners of the Company		**974,056**	864,256
Non-controlling interests		**329,390**	334,532
TOTAL EQUITY		**1,303,446**	1,198,788

On behalf of the Board

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	16	582,488	305,298
Investment properties	17	101,802	102,383
Prepaid land lease payments	18	57,421	58,721
Investments in subsidiaries	19	278,731	252,760
Total non-current assets		1,020,442	719,162
Current assets			
Inventories	20	58,592	19,180
Prepaid land lease payments	18	1,287	1,250
Trade receivables	22	45,371	35,218
Bills receivable	22	12,586	37,243
Other receivables, deposits and prepayments	23	16,669	15,567
Amounts due from subsidiaries	24	270,647	40,959
Cash and bank balances	25	1,091,697	1,223,273
Total current assets		1,496,849	1,372,690
Current liabilities			
Trade payables	26	59,394	41,177
Bills payable	26	—	18,035
Other payables and accruals	27	198,115	117,582
Amounts due to subsidiaries	24	258,784	109,218
Bank borrowings	28	492,000	579,000
Income tax payable		5,461	467
Total current liabilities		1,013,754	865,479
Net current assets		483,095	507,211
Total assets less current liabilities		1,503,537	1,226,373
Non-current liabilities			
Other payables and accruals	27	—	5,000
Bank borrowings	28	492,873	362,828
Deferred tax liabilities	29	38,760	28,948
Total non-current liabilities		531,633	396,776
NET ASSETS		971,904	829,597

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(b)	**848,590**	706,283
TOTAL EQUITY		**971,904**	829,597

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 2011

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Properties revaluation reserve RMB'000 (Note 31)	Translation reserve RMB'000 (Note 31)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010	**123,314**	**8,586**	**63,879**	**79,920**	**525**	**523,588**	**799,812**	**634,812**	**1,434,624**
Profit for the year	—	—	—	—	—	57,429	57,429	(18,928)	38,501
Other comprehensive income for the year	—	—	—	6,849	166	—	7,015	—	7,015
Total comprehensive income for the year	—	—	—	6,849	166	57,429	64,444	(18,928)	45,516
Reduction in capital contribution and reserve of a subsidiary	—	—	—	—	—	—	—	(281,352)	(281,352)
Transferred between reserves	—	—	9,797	—	—	(9,797)	—	—	—
Balance at 31 December 2010 and at 1 January 2011	**123,314**	**8,586**	**73,676**	**86,769**	**691**	**571,220**	**864,256**	**334,532**	**1,198,788**
Profit for the year	—	—	—	—	—	93,535	93,535	(5,142)	88,393
Other comprehensive income for the year	—	—	—	15,896	369	—	16,265	—	16,265
Total comprehensive income for the year	—	—	—	15,896	369	93,535	109,800	(5,142)	104,658
Transferred between reserves	—	—	4,391	—	—	(4,391)	—	—	—
Balance at 31 December 2011	**123,314**	**8,586**	**78,067**	**102,665**	**1,060**	**660,364**	**974,056**	**329,390**	**1,303,446**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit before income tax		114,696	34,365
Adjustments for:			
Depreciation and amortisation		30,610	60,334
Interest expenses		32,798	55,932
Impairment loss on goodwill		—	24,470
Impairment loss on lease prepayments		—	16,958
(Reversal of)/impairment loss on trade receivables		(3,802)	3,539
Loss on disposal of property, plant and equipment		430	375
Fair value gain on investment properties		(11,903)	(398)
Reversal of write-off of inventories		(725)	(414)
Interest income		(26,986)	(22,266)
Gain on disposal of interests in leasehold land		—	(28,857)
Gain on disposal of subsidiary		(159)	—
Operating profit before working capital changes		134,959	144,038
Increase in other payables and accruals		116,550	115,749
(Increase)/decrease in inventories		(26,543)	56,069
Increase in properties under development		(161,155)	—
Increase in trade payables		31,257	24,454
(Decrease)/increase in bills payable		(17,777)	3,937
Increase in other receivables, deposits and prepayments		(5,110)	(1,512)
Decrease/(increase) in trade receivables		13,534	(32,684)
Decrease/(increase) in bills receivable		6,359	(34,009)
Cash generated from operations		92,074	276,042
Income tax paid		(2,556)	(13,439)
Net cash generating from operating activities		89,518	262,603
Cash flows from investing activities			
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		230,000	(235,000)
Purchase of property, plant and equipment		(274,479)	(197,909)
Increase in pledged bank balances		(2,994)	(17,059)
Payment for acquisition of prepaid land lease		—	(5,626)
Proceeds from disposal of property, plant and equipment		77	16,911
Interest received		26,986	22,266
Disposal of a subsidiary, net of cash disposed	32	1,075	—
Net cash used in investing activities		(19,335)	(416,417)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		**(679,000)**	(746,000)
Interest paid		**(32,798)**	(55,932)
Proceeds from new bank borrowings		**749,045**	665,828
Net cash generated from/(used in) financing activities		**37,247**	(136,104)
Net increase/(decrease) in cash and cash equivalents		**107,430**	(289,918)
Cash and cash equivalents at beginning of year		**117,604**	407,337
Effect of foreign exchange rate changes		**346**	185
Cash and cash equivalents at end of year	25	**225,380**	117,604

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

1. GENERAL

EVOC Intelligent Technology Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is located at EVOC Technology Building, No 31 Gaoxinzhongsi Avenue, Nanshan District, Shenzhen, the PRC. At 31 December 2011, the directors of the Company consider the ultimate holding Company of the Company to be EVOC Hi-Tech Holding Limited, which was incorporated in the PRC.

The Group, comprising the Company and its subsidiaries, is principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products, trading of electronic accessories and development of properties in the PRC. The principal activities of the subsidiaries are set out in Note 19 to the consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

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

HKFRS 3 (Amendments) — Business Combination

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosures, reported profit or loss, total comprehensive income or equity in the current or prior periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

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

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

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets

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

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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

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

HKFRS 9 — Financial Instruments

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

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

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

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

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements included applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain buildings and investment properties, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or 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 dates of disposal, as appropriate. 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

The building component of owner-occupied leasehold properties is stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Buildings	Over the lease terms of the related leasehold land
Leasehold improvements	18–20%
Plant and machinery	9–10%
Furniture, fixtures and equipment	18–20%
Motor vehicles	18–20%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Construction in progress is stated at cost less any accumulated impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(e) Prepaid land lease payments

Payments for leasehold land under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(f) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing (continued)

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(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) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include but not limited to:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance for the relevant financial assets.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(iv) Effective interest method

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

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to be completed beyond an operating cycle.

(k) 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, net of estimated customer returns, rebates and other similar allowances and excludes value added tax.

(i) Revenue from the sale of goods is recognised on the transfer of risks and ownership, which is at the time of delivery and title is passed to customer.

(ii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(iii) Rental income from operating leases is recognised on straight-line basis over the terms of relevant lease.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for profit and loss items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(m) Foreign currencies

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 transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated at the rates ruling 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 on 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary items that forms part of the Company's investment in a foreign operation, in which case, such exchange differences are reclassified to other comprehensive income in preparing the consolidated financial statements. Exchange differences arising on retranslation of non-monetary items carried at fair value are included in the profit and loss except for differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of reporting period. Income and expense items (including comparatives) are translated at the average exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve. Such translation differences are recognised in profit or loss in the period when the foreign operations are disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employees' benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

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.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Impairment of other assets

At the end of each reporting period, the Group and the Company reviews the carrying amounts of the following 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 decreased:

— property, plant and equipment under cost model;

— interests in leasehold land held for own use under operating leases; and

— investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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.

(a) Critical judgements in applying accounting policies

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.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Estimated impairment of lease prepayments and construction in progress

The impairment loss for lease prepayments and construction in progress is recognised when the amount by which the carrying amount exceeds its estimated recoverable amount in accordance with the accounting policies stated in notes 4(c) and 4(e) to the consolidated financial statements. The recoverable amounts have been determined based on the valuation conducted by an independent firm of professional valuers, with reference to the best available information obtained at the end of each reporting period. Any favourable or unfavourable changes to the assumptions of market conditions would result in changes in the carrying amounts of the assets.

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

(b) Key sources of estimation uncertainty (continued)

Estimated impairment loss on trade and other receivables

The Group recognises allowance for impairment loss on trade and other receivables when the recoverability of the outstanding debts is uncertain. Such allowance estimated after taking into account various considerations including the age of the debts, creditworthiness of the debtors, past track records for recovery of debts with similar credit risk characteristics and market conditions. Where the expectation is different from the original estimates, such difference will impact the carrying amounts of receivables and allowance for impairment losses in the period in which such estimate had been changed.

Revaluation of investment properties and buildings

In determining the fair values of investment properties and buildings, the valuer has based on valuation techniques which involve, inter alia, certain estimates including comparable transactions in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, directors have exercised judgement and are satisfied that the method of valuation is appropriate with reference to the current market condition.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the "CODM") that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Research, development, manufacturing and distribution of APA products and trading of electronic accessories

— Property development

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit, segments' assets and segments' liabilities that are used by the CODM for assessment of segment performance.

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2011

	APA products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	**1,111,049**	**—**	**1,111,049**
Reportable segment profit/(loss)	**80,903**	**(10,782)**	**70,121**
Interest income	**26,769**	**217**	**26,986**
Depreciation and amortisation	**(30,367)**	**(243)**	**(30,610)**
Reversal of impairment on trade receivables	**3,802**	**—**	**3,802**
Reversal of impairment on inventories	**725**	**—**	**725**
Reportable assets	**1,647,713**	**692,624**	**2,340,337**
Additions to non-current assets	**746,598**	**50**	**746,648**
Reportable liabilities	**(920,155)**	**(409,260)**	**(1,329,415)**

For the year ended 31 December 2010

	APA products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	1,277,182	—	1,277,182
Reportable segment profit	56,142	32,443	88,585
Interest income	21,977	289	22,266
Depreciation and amortisation	(22,563)	(37,771)	(60,334)
Impairment loss on trade receivables	(3,539)	—	(3,539)
Reversal of impairment loss on inventories	414	—	414
Gain on disposal of interests in leasehold land, net	—	28,857	28,857
Reportable assets	1,719,517	309,272	2,028,789
Additions to non-current assets	876,071	87,268	963,339
Reportable liabilities	(1,096,173)	(146,699)	(1,242,872)

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6. SEGMENT INFORMATION (CONTINUED)

Notes:

(a) The following is an analysis of Group's revenue from its major customers which represent 10% or more of the Group's revenues during the year and is attributable to the reportable segment of "research and development, manufacturing and distribution of APA products and trading of electronic accessories":

	2011 RMB'000	2010 RMB'000
Customer A	**271,543**	222,241
Customer B	**127,750**	—

(b) **Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**1,111,049**	1,277,182

	2011 RMB'000	2010 RMB'000
Profit before income tax		
Reportable segment profit	**70,121**	88,585
Other income	**68,607**	60,457
Other gains and losses	**12,062**	(24,070)
Unallocated corporate expense	**(3,264)**	(33,695)
Finance costs	**(32,830)**	(56,912)
Profit before income tax	**114,696**	34,365

	2011 RMB'000	2010 RMB'000
Reportable segment assets		
Reportable segment assets	**2,340,337**	2,028,789
Income tax recoverable	**130**	64
Deferred tax assets	**1,302**	2,719
Unallocated corporate assets	**519,600**	504,081
Consolidated total assets	**2,861,369**	2,535,653

6. SEGMENT INFORMATION (CONTINUED)

Notes: (continued)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2011 RMB'000	2010 RMB'000
Reportable segment liabilities		
Reportable segment liabilities	**1,329,415**	1,242,872
Bank borrowings	**117,552**	10,829
Deferred tax liabilities	**97,731**	82,322
Tax payables	**13,225**	842
Consolidated total liabilities	**1,557,923**	1,336,865

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets/liabilities and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Hong Kong	**763**	68,455	**3**	7
PRC (place of domicile)	**1,110,286**	1,208,727	**746,648**	960,620
	1,111,049	1,277,182	**746,651**	960,627

NOTES TO THE FINANCIAL STATEMENTS

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7. TURNOVER AND OTHER INCOME

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

	2011 RMB'000	2010 RMB'000
Turnover		
Sales of APA products	**572,456**	735,209
Sales of electronic accessories	**538,593**	541,973
	1,111,049	1,277,182
Other income		
Bank interest income	**26,986**	22,266
Value-added tax ("VAT") concessions (note (a))	**7,207**	19,553
Gross rentals from investment properties	**32,783**	30,126
Less: direct operation expense (including repairs and maintenance) arising on rental income from investment properties	**(12,849)**	(17,266)
	19,934	12,860
Government subsidies (note (b))	**4,052**	3,435
Sub-contracting income	**2,420**	7
Sundry income	**8,008**	5,277
	68,607	63,398
	1,179,656	1,340,580

(a) VAT refunds were obtained from local tax authority in respect of sales of approved software and integrated circuit products.

(b) Financial incentives were granted by the PRC government to enterprises that engage in developing high-technology products.

8. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Gain on disposal of interests in leasehold land, net	**—**	28,857
Impairment loss on goodwill	**—**	(24,470)
Impairment loss on prepaid land lease payments	**—**	(16,958)
Fair value gain on investment properties	**11,903**	398
Gain on disposal of a subsidiary (Note 32)	**159**	—
	12,062	(12,173)

9. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	60,543	55,932
Less: Interest capitalised	(27,745)	—
	32,798	55,932
Bank charges	32	674
Others	—	306
	32,830	56,912

10. PROFIT BEFORE INCOME TAX

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

	2011 RMB'000	2010 RMB'000
Auditor's remuneration	760	900
Cost of inventories recognised as an expense (note (a))	883,191	1,057,915
Depreciation of property, plant and equipment	29,347	30,707
Amortisation of prepaid land lease payments	1,263	29,627
Foreign exchange difference, net	(32)	306
Loss on disposal of property, plant and equipment, net	430	375
(Reversal of)/impairment loss on trade receivables	(3,802)	3,539
Minimum lease payments under operating leases	8,785	10,010
Research and development costs (note (b))	51,602	48,254
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	80,826	57,982
Contributions to retirement benefits schemes	6,834	6,225
	87,660	64,207

Notes:

(a) Cost of inventories sold includes staff costs and depreciation of RMB13,040,000 (2010: RMB8,424,000) and RMB7,218,000 (2010: RMB5,513,000) respectively.

(b) Research and development costs exclude depreciation charge of RMB4,426,000 (2010: RMB4,584,000).

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to directors are as follows:

	2011 RMB'000	2010 RMB'000
Fees	61	53
Other emoluments:		
Salaries, allowances and benefits in kind	271	174
Contributions to retirement benefits schemes	16	23
	287	197
	348	250

(a) Independent non-executive directors

The directors' fees paid or payable to independent non-executive directors during the reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Mr An Jian	12	12
Ms Dai Lin Ying	12	12
Mr Ling Chun Kwok (note (i))	25	12
Mr Wang Tian Xiang (note (ii))	—	5
Mr Wang Zhao Hui	12	12
	61	53

Notes:

(i) Mr Ling Chun Kwok was appointed as independent non-executive director on 3 June 2010.

(ii) Mr Wang Tian Xiang resigned as independent non-executive director on 3 June 2010.

There were no other emoluments payable to the independent non-executive directors during the reporting period (2010: nil).

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Executive directors

The emoluments of executive directors during the reporting period are set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2011				
Mr Chen Zhi Lie	**—**	**106**	**8**	**114**
Mr Tso Cheng Shun	**—**	**30**	**—**	**30**
Mr Zhu Jun	**—**	**135**	**8**	**143**
	—	**271**	**16**	**287**
2010				
Mr Chen Zhi Lie	—	77	11	88
Mr Tso Cheng Shun	—	20	—	20
Mr Zhu Jun	—	77	12	89
	—	174	23	197

(c) Supervisors

The emoluments of supervisors during the reporting period are set out below:

	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2011			
Ms Pu Jing	**122**	**7**	**129**
Mr Zhan Guo Nian	**20**	**5**	**25**
Mr Zhang Zheng An	**20**	**—**	**20**
Mr Dong Li Xin	**12**	**—**	**12**
Mr Wen Bing	**12**	**—**	**12**
	186	**12**	**198**
2010			
Ms Pu Jing	20	10	30
Mr Zhan Guo Nian	20	3	23
Mr Zhang Zheng An	20	5	25
Mr Dong Li Xin	12	—	12
Mr Wen Bing	12	—	12
	84	18	102

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(d) During the reporting period, 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 (2010: Nil). There were no arrangements under which any director or supervisor waived or agreed to waive any emoluments in respect of each of the reporting period.

(e) **Five highest paid individuals**

Of the five individuals with the highest emoluments in the Group, two of them were directors or supervisors of the Company in respect of the reporting period (2010: Nil). The emoluments of the remaining three (2010: five) individuals, during the reporting period were as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	775	954
Contributions to retirement benefits schemes	27	39
	802	993

The emoluments of each of the above highest paid employees were all within the band from HK$ nil to HK$1,000,000 (equivalent to RMB819,000) for the years ended 31 December 2011 and 2010.

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 (2010: Nil).

12. INCOME TAX EXPENSE/(CREDIT)

(a) The amount of income tax in the consolidated statement of comprehensive income represents:

	2011 RMB'000	2010 RMB'000
Current tax — PRC		
Provision for the year	14,846	4,862
(Over)/under-provision in respect of prior year	(39)	1,390
	14,807	6,252
Deferred taxation (Note 29)		
Origination and reversal of temporary differences, net	11,496	(10,388)
Income tax expense/(credit)	26,303	(4,136)

12. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(a) (continued)

In accordance with the PRC Enterprise Income Tax Law effective from 1 January 2008, certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward and are entitled to 50% relief on the income tax in the following three years. Certain subsidiaries are still entitled to preferential tax treatments and gradually be subject to the new tax rate over a five-year transitional period to 2012. These subsidiaries are subject to income tax rates ranging from 12.5% to 25% (2010: 11% to 25%) during the reporting period.

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

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the years ended 31 December 2011 and 2010 as there were no estimated assessable profits arose for both years.

(b) The Group's income tax expense/(credit) for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**114,696**	34,365
Tax at applicable tax rate at 25% (2010: 25%)	**28,674**	8,591
Effect of tax exemption and reduction	**(9,245)**	(17,089)
Tax effect of non-taxable income	**(1,022)**	(7,315)
Tax effect of non-deductible expenses	**4,212**	8,550
Deferred tax assets not recognised, net	**(231)**	4,353
Utilisation of tax loss previously not recognised	**(18)**	(2,616)
Tax effect on unused tax loss not recognised	**3,972**	—
(Over)/under-provision in respect of prior year	**(39)**	1,390
Total income tax expense/(credit)	**26,303**	(4,136)

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes an amount of RMB126,145,000 (2010: RMB60,110,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

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15. EARNINGS PER SHARE

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

	2011	2010
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	**93,535**	57,429
Weighted average number of domestic and H shares in issue	**1,233,144,000**	1,233,144,000
Basic earnings per share (RMB)	**0.076**	0.047

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

16. 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 1 January 2010	159,525	37,338	44,027	83,233	14,476	43,286	381,885
Additions	—	171	55	4,233	239	193,211	197,909
Transfer to investment properties (note a)	(22,050)	(4,572)	—	—	—	—	(26,622)
Disposals	—	(1,262)	(23,783)	(13,126)	(753)	—	(38,924)
Revaluation surplus	3,442	—	—	—	—	—	3,442
As at 31 December 2010	140,917	31,675	20,299	74,340	13,962	236,497	517,690
Additions	—	—	9,497	13,133	768	404,777	428,175
Transfer from investment properties (note a)	11,669	—	—	—	—	—	11,669
Disposals	—	(100)	—	(1,071)	(282)	—	(1,453)
Transfer to properties under development	—	—	—	—	—	(274,512)	(274,512)
Disposal of a subsidiary	—	—	—	(21)	—	—	(21)
Revaluation surplus	17,396	—	—	—	—	—	17,396
As at 31 December 2011	169,982	31,575	29,796	86,381	14,448	366,762	698,944
Accumulated depreciation:							
As at 1 January 2010	—	19,823	15,072	36,803	6,588	—	78,286
Charge for the year	3,795	7,647	3,201	13,529	2,535	—	30,707
Transfer to investment properties (note a)	(1,018)	(2,994)	—	—	—	—	(4,012)
Written back on disposal	—	(162)	(13,509)	(7,411)	(556)	—	(21,638)
Eliminated on revaluation	(2,777)	—	—	—	—	—	(2,777)
As at 31 December 2010	—	24,314	4,764	42,921	8,567	—	80,566
Charge for the year	3,830	5,702	3,038	14,360	2,417	—	29,347
Written back on disposal	—	(95)	—	(612)	(239)	—	(946)
Disposal of a subsidiary	—	—	—	(5)	—	—	(5)
Eliminated on revaluation	(3,830)	—	—	—	—	—	(3,830)
As at 31 December 2011	—	29,921	7,802	56,664	10,745	—	105,132
Carrying values:							
As at 31 December 2011	169,982	1,654	21,994	29,717	3,703	366,762	593,812
As at 31 December 2010	140,917	7,361	15,535	31,419	5,395	236,497	437,124

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation:							
As at 1 January 2010	153,545	36,439	44,027	76,130	13,114	9,579	332,834
Additions	—	—	55	3,609	—	106,100	109,764
Transfer to investment properties (note a)	(22,050)	(4,572)	—	—	—	—	(26,622)
Disposals	—	(887)	(23,783)	(11,599)	(625)	—	(36,894)
Revaluation surplus	2,223	—	—	—	—	—	2,223
As at 31 December 2010	133,718	30,980	20,299	68,140	12,489	115,679	381,305
Additions	—	—	9,497	10,906	99	251,083	271,585
Transfer from investment properties (note a)	13,322	—	—	—	—	—	13,322
Disposals	—	(100)	—	(323)	(230)	—	(653)
Revaluation surplus	16,559	—	—	—	—	—	16,559
As at 31 December 2011	163,599	30,880	29,796	78,723	12,358	366,762	682,118
Accumulated depreciation:							
As at 1 January 2010	—	19,451	15,072	33,981	5,949	—	74,453
Charge for the year	3,496	7,441	3,201	12,251	2,230	—	28,619
Transfer to investment properties (Note a)	(1,018)	(2,994)	—	—	—	—	(4,012)
Written back on disposal	—	—	(13,509)	(6,574)	(492)	—	(20,575)
Eliminated on revaluation	(2,478)	—	—	—	—	—	(2,478)
As at 31 December 2010	—	23,898	4,764	39,658	7,687	—	76,007
Charge for the year	3,830	5,573	3,038	13,242	2,148	—	27,831
Written back on disposal	—	(95)	—	(77)	(206)	—	(378)
Eliminated on revaluation	(3,830)	—	—	—	—	—	(3,830)
As at 31 December 2011	—	29,376	7,802	52,823	9,629	—	99,630
Carrying values:							
As at 31 December 2011	163,599	1,504	21,994	25,900	2,729	366,762	582,488
As at 31 December 2010	133,718	7,082	15,535	28,482	4,802	115,679	305,298

Notes:

(a) For the year ended 31 December 2011, certain previously leased out properties with a carrying amount of RMB11,669,000 have been occupied for self use. No previously self occupied properties have been leased-out during the year ended 31 December 2011 (2010: carrying amount of RMB22,610,000).

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(b) The buildings held by the Group and the Company at 31 December 2011 were valued by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors, were made on an open market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable transaction available in the relevant market. The revaluation surplus net of applicable deferred taxes was credited to properties revaluation reserve.

Had the revalued buildings been measured at historical cost less accumulated depreciation, the carrying values of the Group and the Company as at 31 December 2011 would have been RMB67,307,000 (2010: RMB55,144,000) and RMB64,545,000 (2010: RMB53,059,000) respectively.

(c) As at 31 December 2011, the Group and the Company had pledged the buildings and certain construction in progress with total carrying values of RMB168,545,000 (2010: RMB140,917,000) and RMB366,762,000 (2010: RMB115,680,000) respectively, to secure banking facilities granted to the Group and the Company.

(d) All buildings held by the Group and the Company buildings were located in the PRC and were held under medium term leases. Buildings of the Group and the Company with carrying amount of RMB163,599,000 (2010: RMB133,718,000) were not freely transferable.

(e) An analysis of cost and valuation of the Group's and the Company's property, plant and equipment:

	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
Group							
Basis of carrying values:							
At valuation	169,982	—	—	—	—	—	169,982
At cost	—	1,654	21,994	29,717	3,703	366,762	423,830
As at 31 December 2011	169,982	1,654	21,994	29,717	3,703	366,762	593,812
At valuation	140,917	—	—	—	—	—	140,917
At cost	—	7,361	15,535	31,419	5,395	236,497	296,207
As at 31 December 2010	140,917	7,361	15,535	31,419	5,395	236,497	437,124
Company							
Basis of carrying values:							
At valuation	163,599	—	—	—	—	—	163,599
At cost	—	1,504	21,994	25,900	2,729	366,762	418,889
As at 31 December 2011	163,599	1,504	21,994	25,900	2,729	366,762	582,488
At valuation	133,718	—	—	—	—	—	133,718
At cost	—	7,082	15,535	28,482	4,802	115,679	171,580
As at 31 December 2010	133,718	7,082	15,535	28,482	4,802	115,679	305,298

17. INVESTMENT PROPERTIES

	2011		2010	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Carrying amount, at fair values				
At beginning of year	95,183	102,383	72,175	78,155
Transfer from property, plant and equipment (Note 16(a))	—	—	22,610	22,610
Transfer to property, plant and equipment (Note 16(a))	(11,669)	(13,322)	—	—
Increase in fair value	11,904	12,741	398	1,618
At end of year	95,418	101,802	95,183	102,383

Investment properties held by the Group and the Company at 31 December 2011 were valued by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors, were made on an open market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable sales transactions available in the relevant market.

All investment properties held by the Group and the Company were located in the PRC, held under medium term leases, and are pledged to secure general banking facilities granted to the Group and the Company. The pledge relating to an investment property held by the Group and the Company with carrying value of RMB8,995,000 (2010: RMB6,900,000) has been released subsequent to the reporting period end.

An investment property of the Group and the Company with carrying value of RMB83,402,000 (2010: RMB88,283,000) is not freely transferable.

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18. PREPAID LAND LEASE PAYMENTS

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Cost:				
At beginning of year	**497,052**	**62,950**	1,103,326	57,324
Additions	**—**	**—**	5,626	5,626
Disposal of land	**—**	**—**	(611,900)	—
Transfer to properties under development	**(434,102)**	**—**	—	—
At end of year	**62,950**	**62,950**	497,052	62,950
Accumulated amortisation and impairment:				
At beginning of year	**56,080**	**2,979**	60,433	1,786
Charge for the year	**1,263**	**1,263**	29,627	1,193
Written-off on disposal	**—**	**—**	(50,938)	—
Impairment loss recognised	**—**	**—**	16,958	—
Transfer to properties under development	**(53,101)**	**—**	—	—
At end of year	**4,242**	**4,242**	56,080	2,979
Carrying values at end of year	**58,708**	**58,708**	440,972	59,971
Less: Current portion included under current assets	**(1,287)**	**(1,287)**	(12,652)	(1,250)
Non-current portion	**57,421**	**57,421**	428,320	58,721

Notes:

(a) Leasehold land held under operating leases of the Group and the Company were located in the PRC and were held under medium term lease.

(b) Included in leasehold land is a piece of land in Guangming, Shenzhen, the PRC with a carrying amount of RMB53,446,000 at 31 December 2011 (2010: RMB54,584,000) which is being held under a medium term lease with a term of 50 years commencing on 1 January 2009. The land is acquired at a concessionary discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

(c) Included in leasehold land is a piece of land in Shenzhen with a carrying amount of RMB5,262,000 at 31 December 2011 (2010: RMB5,387,000) which is being held under a medium term lease with a term of 50 years commencing on 27 November 2003. The land is acquired at a concessionary discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

(d) The Group and the Company had pledged certain lease prepayments having a carrying amount of RMB58,708,000 at 31 December 2011 (2010: RMB250,501,000 and RMB59,971,000 respectively) to secure general banking facilities granted to the Group and the Company.

19. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**282,360**	252,760
Impairment loss	**(3,629)**	—
	278,731	252,760

Details of the Company's principal subsidiaries, the business structure of which were corporations, as at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up registered capital	Attributable equity interests held by the Company directly	Attributable equity interests held by the Company indirectly	Principal activities
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited*	PRC	RMB6,000,000	100%	—	Research, development, manufacture and distribution of APA software products
深圳市研祥新特科技有限公司 henzhen EVOC Xinteer Technology Company Limited*	PRC	RMB10,000,000	—	100%	Trading of electronic accessories
上海市研祥智能科技有限公司 Shanghai EVOC Intelligent Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development, manufacture and distribution of APA software products
北京市研祥興業國際智能科技有限公司 Beijing EVOC Xingye International Technology Company Limited*	PRC	RMB30,000,000	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*	PRC	RMB306,122,400	51%	—	Property development
廣州市研祥智能科技有限公司 Guangzhou EVOC Intelligent Technology Company Limited*	PRC	RMB5,000,000	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	RMB10,000,000	100%	—	Research, development, manufacture 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	HK$100,000	100%	—	Trading of electronic accessories

* For identification purpose only.

All subsidiaries established in the PRC are wholly foreign owned enterprises.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, would have a comparatively significant impact on the results, assets, or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

None of the subsidiaries had issued any debt securities at the end of reporting period.

20. INVENTORIES

	2011		2010	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Raw materials	27,885	27,865	176	152
Work-in-progress	11,910	11,910	265	265
Finished goods	26,885	20,723	42,667	19,284
	66,680	60,498	43,108	19,701
Less: Allowance for inventories	(5,739)	(1,906)	(6,464)	(521)
	60,941	58,592	36,644	19,180

The cost of inventories recognised as an expense during the reporting period was RMB883,191,000 (2010: RMB1,057,915,000), of which RMB725,000 was in respect of net reversal of write-off of inventories made in prior years (2010: RMB414,000).

The reversal arose due to the reprocessing of inventories during the reporting period.

21. PROPERTIES UNDER DEVELOPMENT

	2011 RMB'000	2010 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	261,808	—
Capitalised interests	20,163	—
Land use rights	381,000	—
	662,971	—

All properties under development are located in the PRC.

The capitalisation rate of borrowings is 7.05% for the year ended 31 December 2011.

As at 31 December 2011, the properties under development with carrying amount of RMB190,529,000 (2010: Nil) was pledged as collateral for the Group's borrowings (Note 28).

22. TRADE AND BILLS RECEIVABLES

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Trade receivables (note (a))	**144,030**	**45,727**	162,208	36,675
Allowance for impairment losses (note (c))	**(988)**	**(356)**	(4,790)	(1,457)
Trade receivables, net	**143,042**	**45,371**	157,418	35,218
Bills receivable (note (d))	**48,572**	**12,586**	54,931	37,243
Total	**191,614**	**57,957**	212,349	72,461

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

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

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
0 to 90 days	**128,574**	**37,160**	139,840	32,934
91 to 180 days	**9,938**	**5,570**	14,651	2,120
181 to 365 days	**3,756**	**2,696**	2,547	159
Over 1 year	**1,762**	**301**	5,170	1,462
Gross trade receivables	**144,030**	**45,727**	162,208	36,675

(b) The ageing analysis of trade receivables (net of impairment losses) of the Group and the Company as the end of reporting period is as follows:

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Neither past due nor impaired	**108,059**	**31,197**	106,828	21,390
Within 90 days past due	**27,444**	**10,695**	37,156	13,185
91 to 180 days past due	**4,080**	**1,172**	13,054	638
181 to 365 days past due	**3,005**	**2,307**	380	5
Over 365 days past due	**454**	**—**	—	—
Amount past due but not impaired	**34,983**	**14,174**	50,590	13,828
	143,042	**45,371**	157,418	35,218

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) The ageing analysis of trade receivables (net of impairment losses) of the Group and the Company as the end of reporting period is as follows: (continued)

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 payment record with the Group and the Company. Based on past experience, the directors estimated that no impairment is necessary in respect of these balances as there has not been a significant deterioration in credit quality and the balances are still considered fully recoverable. The Group and the Company does not hold any collateral over these balances.

(c) Movements in the allowance for impairment losses on trade receivables during the reporting period are as follows:

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
At beginning of year	**4,790**	**1,457**	1,251	874
Impairment loss (reversed)/ recognised, net	**(3,802)**	**(1,101)**	3,539	583
At end of year	**988**	**356**	4,790	1,457

The Group and the Company recognised impairment on individual assessment based on the accounting policy stated in Note 4(h)(ii) to the financial statements.

(d) Bills receivable are with maturity of less than 6 months. At the end of reporting period, bills receivable of the Group and the Company amounting to approximately RMB32,686,000 and RMB30,508,000 (2010: RMB11,629,000 and RMB11,629,000) respectively have been endorsed to suppliers. The carrying values of bills endorsed to suppliers continue to be recognised as assets in the financial statements as the Group and the Company is still exposed to credit risk on these receivables at the end of the reporting period. Accordingly, the liabilities associated with these bills, mainly payable, have not been derecognised in the financial statements.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Other receivables	**25,766**	**14,590**	20,248	11,127
Deposits	**2,477**	**524**	2,663	573
Prepayments	**7,768**	**1,555**	7,995	3,867
	36,011	**16,669**	30,906	15,567

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Amounts due from subsidiaries	**282,812**	66,635
Less: impairment loss	**(12,165)**	(25,676)
	270,647	40,959
Amounts due to subsidiaries	**(258,784)**	(109,218)

The amounts due from/(to) subsidiaries were unsecured, interest free and repayable on demand.

25. CASH AND BANK BALANCES

	2011		2010	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Time deposits	**915,000**	**915,000**	1,161,418	1,145,000
Cash and bank balances	**245,462**	**176,697**	118,274	78,273
	1,160,462	**1,091,697**	1,279,692	1,223,273
Less:				
Time deposits with original maturity of more than three months when acquired (note (a))	**(915,000)**	**(915,000)**	(1,145,000)	(1,145,000)
Pledged bank balances (note (b))	**(20,082)**	**(19,824)**	(17,088)	(17,088)
	(935,082)	**(934,824)**	(1,162,088)	(1,162,088)
Cash and cash equivalents	**225,380**	**156,873**	117,604	61,185

Notes:

(a) Time deposits represent deposits with banks with initial terms of maturity over three months. The effective interest rate at the end of reporting period was approximately 2.60% per annum (2010: 2.05% per annum). The balance is denominated in RMB.

(b) Pledged bank balances represent deposits placed in banks as a reserve for any compensation of the damages occurred during the construction of properties.

(c) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(d) At the end of reporting period, majority of the bank balances and cash of the Group and Company are denominated in RMB. RMB is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND BILLS PAYABLES

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Trade payables	133,486	59,394	109,038	41,177
Bills payable	258	–	18,035	18,035
	133,744	59,394	127,073	59,212

The following is the ageing analysis of trade payables:

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
0 to 90 days	114,297	56,815	107,552	40,357
91 to 180 days	16,980	788	750	120
181 to 365 days	1,331	1,045	14	13
Over 1 year	878	746	722	687
	133,486	59,394	109,038	41,177

At the end of reporting period, the Group and the Company has endorsed certain bills receivable with recourse to suppliers and the liabilities relating to these bills receivable (Note 22(d)) continue to be recognised as trade payables.

27. OTHER PAYABLES AND ACCRUALS

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Construction payables	195,284	154,089	121,741	84,343
Government grants (note)	13,202	11,330	5,000	5,000
Other payables	73,225	16,398	37,017	20,490
Other tax payables	4,405	2,688	10,389	4,882
Accruals	15,234	13,610	10,653	7,867
	301,350	198,115	184,800	122,582
Less: current liabilities	(301,350)	(198,115)	(179,800)	(117,582)
Non-current portion	–	–	5,000	5,000

Note: The balance represents grants obtained from the PRC government in relation to the purchase of specified property, plant and equipment and development of specified project by the Group and the Company. At the end of reporting period, not all the conditions related to the government grants have been fulfilled and no related income was recognised.

28. BANK BORROWINGS

	2011 Group RMB'000	2011 Company RMB'000	2010 Group RMB'000	2010 Company RMB'000
Secured bank borrowings	**1,011,873**	**984,873**	941,828	941,828
At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:				
On demand or within one year	**519,000**	**492,000**	579,000	579,000
After one year but within two years	**166,000**	**166,000**	192,000	192,000
After two years but within five years	**326,873**	**326,873**	170,828	170,828
	492,873	**492,873**	362,828	362,828
	1,011,873	**984,873**	941,828	941,828

The Group and the Company have bank borrowings with fixed rate and floating rate which carry prevailing market interest rates.

	Group and Company			
	2011 Effective interest rate %	2011 RMB'000	2010 Effective interest rate %	2010 RMB'000
Fixed rate borrowings				
Bank borrowings	**6.66%**	**100,000**	5.310%	95,000
Floating rate borrowings				
Bank borrowings	**4.86%–7.05%**	**911,873**	4.860%–5.940%	846,828

At 31 December 2011, the secured bank borrowings and general banking facilities of the Group and the Company with carrying amount of RMB584,873,000 (2010: RMB286,828,000) are secured by way of charge over certain assets, including building, investment properties, leasehold land under operating leases and construction in progress, together with the personal guarantees given by an executive director of the Company and related parties, including a spouse of an executive director and ultimate holding company.

The remaining secured bank borrowings of the Group and the Company are secured by way of personal guarantees given by an executive director of the Company and ultimate holding company.

At the end of reporting period, Group and the Company had available undrawn committed borrowing facilities of RMB1,015,127,000 (2010: RMB1,313,172,000) in respect of which all conditions precedent had been met.

29. DEFERRED TAXATION

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

Group	Capitalisation of borrowing costs RMB'000	Unrealised profit on inter company transactions RMB'000	Revaluation of properties RMB'000	Allowance for impairment losses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2010	—	(4,558)	193,883	(835)	(1,183)	187,307
Credited to profit or loss	—	(3,107)	(6,831)	(198)	(252)	(10,388)
Credited to profit or loss — release on disposal of land	—	—	(96,686)	—	—	(96,686)
Credited to other comprehensive income	—	—	(630)	—	—	(630)
At 31 December 2010	—	(7,665)	89,736	(1,033)	(1,435)	79,603
Charged/(credited) to profit or loss	2,636	5,086	2,455	(116)	1,435	11,496
Charged to other comprehensive income	—	—	5,330	—	—	5,330
At 31 December 2011	2,636	(2,579)	97,521	(1,149)	—	96,429

Company	Capitalisation of borrowing costs RMB'000	Unrealised profit on inter company transactions RMB'000	Revaluation of properties RMB'000	Allowance for impairment losses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2010	—	(23)	29,029	(775)	(1,183)	27,048
Charged/(credited) to profit or loss	—	23	3,489	548	(252)	3,808
Credited to other comprehensive income	—	—	(1,908)	—	—	(1,908)
At 31 December 2010	—	—	30,610	(227)	(1,435)	28,948
Charged/(credited) to profit or loss	936	—	3,181	(339)	1,435	5,213
Charged to other comprehensive income	—	—	4,599	—	—	4,599
At 31 December 2011	936	—	38,390	(566)	—	38,760

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

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Deferred tax assets	**(1,302)**	**—**	(2,719)	—
Deferred tax liabilities	**97,731**	**38,760**	82,322	28,948
	96,429	**38,760**	79,603	28,948

The Group has estimated unused tax losses arising in the PRC of RMB41,025,000 (2010: RMB77,244,000) that can be carried forward for five years and estimated unused tax losses arising in Hong Kong of RMB4,503,000 (2010: RMB3,517,000) that can be carried forward indefinitely for offsetting against its future taxable profits.

29. DEFERRED TAXATION (CONTINUED)

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

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

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Year of expiry				
2011	**–**	**–**	9,386	–
2012	**–**	**–**	15,631	–
2013	**4,720**	**–**	24,558	5,978
2014	**12,202**	**–**	16,587	–
2015	**9,218**	**–**	11,082	–
2016	**14,884**	**–**	–	–
	41,024	**–**	77,244	5,978

No deferred tax asset was recognised by the Group and the Company, regarding unused tax losses as at 31 December 2011 as the availability of future taxable profit to utilise the temporary differences is not probable. As at 31 December 2010, a deferred tax asset of RMB1,435,000 was recognised in respect of this tax loss, the amount was utilised during the year.

30. SHARE CAPITAL

	Number of shares	**RMB'000**
Registered, issued and fully paid		
At 1 January 2010, 31 December 2010 and 2011	1,233,144,000	123,314
Of which:		
Domestic Shares of RMB0.1 each	924,792,000	92,479
Overseas listed H Shares of RMB0.1 each	308,352,000	30,835
	1,233,144,000	123,314

Domestic shares and overseas listed H shares are both ordinary shares of the Company. However, overseas listed 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 whereas domestic shares 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.

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31. 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 32.

(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 1 January 2010	8,586	69,419	80,482	525	480,369	639,381
Total comprehensive income for the year, net of tax	—	—	6,609	183	60,110	66,902
At 31 December 2010	8,586	69,419	87,091	708	540,479	706,283
Total comprehensive income for the year, net of tax	—	—	15,790	372	126,145	142,307
At 31 December 2011	8,586	69,419	102,881	1,080	666,624	848,590

(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.

(ii) Statutory surplus reserve

In accordance with the PRC Company 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(c).

(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(m).

32. DISPOSAL OF A SUBSIDIARY

On 28 February 2011, the Group disposed of a subsidiary — Chengdu EVOC Intelligent Technology Company Limited which is engaged in research, development and distribution of APA products. The net assets of the subsidiary at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	16
Inventories	2,972
Trade and other receivables	4,634
Cash and cash equivalent	225
Tax recoverable	67
Trade and other payables	(6,773)
	1,141
Gain on disposal	159
Total consideration	1,300
Satisfied by:	
Cash	1,300
Net cash inflow arising on disposal:	
Cash consideration	1,300
Cash and bank balances disposed of	(225)
	1,075

33. 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:

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**11,685**	**7,306**	5,988	1,230
In the second to fifth years, inclusive	**4,238**	**155**	3,855	555
	15,923	**7,461**	9,843	1,785

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33. OPERATING LEASE COMMITMENTS (CONTINUED)

As lessor

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

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**8,324**	**9,860**	11,286	11,907
In the second to fifth years, inclusive	**4,367**	**5,729**	7,178	7,507
	12,691	**15,589**	18,464	19,414

34. CAPITAL COMMITMENTS

	2011		2010	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Authorised but not contracted for:				
— construction of buildings and properties under development	**821,597**	**294,037**	810,095	332,988
Contracted but not provided for:				
— Capital contribution to a subsidiary	**—**	**240,083**	—	240,083
— Construction of buildings and properties under development	**282,290**	**135,457**	399,361	199,726
	282,290	**375,540**	399,361	439,809
	1,103,887	**669,577**	1,209,456	772,797

35. RELATED PARTY TRANSACTIONS

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.

(b) Rental income of RMB3,664,000 (2010: RMB1,874,000) was received from related companies controlled by an executive director of the Company. The rental was calculated with reference to market rate.

(c) Rental expense of RMB1,422,000 (2010: Nil) was paid to a related company controlled by the ultimate holding company. The rental was calculated with reference to market rate.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) The non-controlling interest of the Group which related to Wuxi SHIOC International Outsourcing Industry Development Company Limited was held by an executive director's spouse.

(e) Members of key management during the year comprised all executive directors, non-executive directors and supervisors whose emoluments is set out in Note 11 to the financial statements.

36. CAPITAL RISK MANAGEMENT

The Group and the Company's primary objective when managing capital are 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 shareholders' 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-equity ratio. For the purpose the Group defines net debts as total debt (which includes bank borrowings, trade payables, bills payables and, other payables and accruals), less cash and cash equivalents. Equity comprises share capital, reserves and non-controlling interests, less unaccrued proposed dividends.

The gearing ratio at the end of reporting period was as follows:

	2011 **RMB**	2010 RMB
Debt	**1,446,967**	1,253,701
Cash and cash equivalents	**(1,160,462)**	(1,279,692)
Net debt	**286,505**	(25,991)
Equity	**1,309,793**	1,198,788
Net debt to equity ratio	**22%**	N/A

37. 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.

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 14% and 36% (2010: 9% and 30%) of the total trade and other receivables was due from the Group's largest and five largest customers respectively.

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 22.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
2011						
Bank borrowings	**1,011,873**	**1,174,120**	**565,153**	**218,302**	**390,665**	**—**
Trade payables	**133,486**	**133,486**	**133,486**	**—**	**—**	**—**
Bills payables	**258**	**258**	**258**	**—**	**—**	**—**
Other payables and accruals	**301,350**	**301,350**	**301,350**	**—**	**—**	**—**
	1,446,967	**1,609,214**	**1,000,247**	**218,302**	**390,665**	**—**
2010						
Bank borrowings	941,828	1,008,583	596,818	218,817	192,948	—
Trade payables	109,038	109,038	109,038	—	—	—
Bills payables	18,035	18,035	18,035	—	—	—
Other payables and accruals	184,800	184,800	179,800	5,000	—	—
	1,253,701	1,320,456	903,691	223,817	192,948	—

Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
2011						
Bank borrowings	**984,873**	**1,146,213**	**537,246**	**218,302**	**390,665**	**—**
Trade payables	**59,394**	**59,394**	**59,394**	**—**	**—**	**—**
Other payables and accruals	**198,115**	**198,115**	**198,115**	**—**	**—**	**—**
Amounts due to subsidiaries	**258,784**	**258,784**	**258,784**	**—**	**—**	**—**
	1,501,166	**1,662,506**	**1,053,539**	**218,302**	**390,665**	**—**
2010						
Bank borrowings	941,828	1,008,583	596,818	218,817	192,948	—
Trade payables	41,177	41,177	41,177	—	—	—
Bills payables	18,035	18,035	18,035	—	—	—
Other payables and accruals	122,582	122,582	117,582	5,000	—	—
Amounts due to subsidiaries	109,218	109,218	109,218	—	—	—
	1,232,840	1,299,595	882,830	223,817	192,948	—

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 is monitored by management.

It is estimated that as at 31 December 2011, 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 expense, retained profits by RMB2,338,000 (2010: RMB7,288,000).

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 2010.

(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 2011 and 2010.

38. 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 2011 and 2010 may be categorised as follows:

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,377,842**	1,520,653
Financial liabilities		
Financial liabilities measured at amortised cost	**1,414,126**	1,220,120

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

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	64,910	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	395,983	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		2011	2010	2009	2008	2007
		Year ended 31 December				
Revenue	RMB'000	**1,111,049**	1,277,182	1,191,698	1,211,090	602,626
Gross Profit	RMB'000	**227,858**	219,267	250,334	303,421	231,654
Gross Margin	%	**20.51**	17.17	21.01	25.05	38.44
Profit for the year	RMB'000	**88,393**	38,501	62,783	97,223	154,436
Net Margin	%	**7.96**	3.01	5.27	8.03	25.63
Basic Earnings Per Share (Note)	RMB	**0.076**	0.047	0.063	0.092	0.125
Net cash generated from operations	RMB'000	**89,518**	262,603	117,507	186,994	(1,511)
Trade Receivables Turnover	Days	**62**	45	39	43	78
Dividend per Share	RMB	**—**	—	—	—	—

FINANCIAL POSITION

Financial year		2011	2010	2009	2008	2007
		As at 31 December				
Total Assets	RMB'000	**2,861,369**	2,535,653	3,032,598	2,784,857	2,314,105
Total Liabilities	RMB'000	**1,557,923**	1,336,865	1,597,974	1,418,344	1,026,624
Total Time Deposits and Cash and Cash Balances	RMB'000	**1,160,462**	1,279,692	1,317,366	1,024,017	571,061
Shareholders' Funds	RMB'000	**1,303,446**	1,198,788	1,434,624	1,366,513	1,287,542
Net Assets per Share	RMB	**1.057**	0.972	1.163	1.108	1.044

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 RMB93,535,000 (2010: RMB57,429,000) and the 1,233,144,000 (2010: 1,233,144,000) ordinary shares in issue during the year.