

ANNUAL REPORT 2012



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

** for identification purpose only*



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2 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*

AUTHORISED 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, Gaoxinzongsi Avenue,
Nanshan District, Shenzhen
PRC

LIAISON OFFICE IN HONG KONG

Unit No. 1619
16th 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
27C, Shenzhen Te Qu Bao Ye Building
6008 Shennan Road
Shenzhen 518034
PRC

COMPANY HOMEPAGE/WEBSITE

<http://www.evoc.com>

STOCK CODE

2308

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 2012, the registered capital of the Company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB3.8 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 sales agents spread out across various provinces and autonomous regions in the PRC. Over 5,000 customers of the Group are currently active, which include authorised distribution agents, system integrators, construction and building surveillance agents, software developers and IT manufacturers in the PRC.



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 2012 (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 19-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.

Wind Power Automation Control Solution



Oil Industrial Solution

Traffic Light Control Solution



RESULT OF THE YEAR

The Group recorded a turnover of RMB1,161.8 million and a profit for the year of RMB94.7 million for the year ended 31 December 2012. The Group's core business and production were stable with a decrease in its profit margin as compared with that of last year due to increase in auxiliary services business with a comparatively low margin. The Group's profit attributable to owners of the Company was RMB93.5 million. The slightly decrease was mainly due to finance costs increased. The Group has continued focusing on research and development on new products and the area of properties development in PRC. The management believes such multi business strategy 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, manufacturing and distribution of Advanced Process Automation ("APA") products 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's 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 Industry and Commerce, 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 growth. 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 also maintained 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 its internal management system and structural adjustment, thereby achieving relatively satisfactory operating results during the period under review.

During the period, the Company acquired 49% of equity interests in Wuxi SHIOC International Outsourcing Industry Development Company Limited (formerly known as 無錫市江南大世界投資發展有限公司 (Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited), hereunder "Wuxi Company") at a consideration of RMB319 million. Upon the completion of the acquisition, the Company holds all issued share capital of Wuxi Company, which becomes the wholly owned subsidiary of the Company. Wuxi Company engages in the construction and operation of service sub-contracting base projects. Currently, some property development projects have been completed, and pre-sale has commenced. The relevant amount will be recognised as revenue when the Company receives the building ownership certificate in the year of 2013.

Upon the completion of the service sub-contracting base project of Wuxi Company, the Company will utilise some properties for its high technology research and development, manufacturing and software outsourcing business. Such act will actively foster the development of the Company's existing business and add new profit growth points, which is in line with its long-term development strategy. Besides, the remaining properties could be used for sales and leasing, which will bring along stable cash flow to the Company for the next few years and boost its overall revenue.



Xi Jinping presided over the convening of the economic forum in Guangdong, and Chen Zhi Lie, as business representative, was invited to deliver a speech

RESEARCH & DEVELOPMENT

During the period, upholding its core competitive strategies of “applying innovative proprietary capabilities to develop its own brands”, the Company has formulated a research and development mechanism facing the preliminary research platform and product design to ensure the evolution of its technology aspects of its product design is based on “preliminary research, design and maturity”. The Company introduced a reliability management platform and conducted its life-cycle reliability engineering construction, so as to realise automatic control of its operations ranging from products R&D, design, manufacturing, production and management. Based on the design and R&D of new products, the Company also established a basic workflow for product reliability and related design specifications.

In 2012, the Company's spending in R&D accounted for over 3.91% of the total turnover, while co-established 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 effectiveness. During the period under review, the Company placed focus on the research and development of new products, including:

1. Grid-specific computer. This product is specially designed for RTU management of substations in the power industry and for smart grid scheduling communication management equipment. As a power industry-specialised product especially for future digital substations, this product has wider coverage and stronger processing performance, being supportive of more communication modes, as compared to common communication management unit. It can be widely used in RTU management of substations, smart grid scheduling communication managers as well as in the power monitoring system and comprehensive monitoring front-end processor of metro.
2. Urban rail train controller. This product is specially designed for vehicle display equipment. As an important part of the driving control unit of train, it is applied to metro and freight locomotive displaying the driving conditions or the situation inside. It has been successfully used in railways, locomotives, large-scale road maintenance machinery and equipment as well as various urban rail trains, such as metro, light rail and monorail vehicles.
3. Rugged portable computer. This product is a high-performance rugged portable computer specifically developed to satisfy the application demand of certain industries. With outstanding reliability and environmental adaptability, it can be widely used in demanding applications.
4. High-performance network security machine. This product is designed to have rich network functionality, high-performance computing and high-speed storage function, and thereby it manages to meet the hardware requirements for a variety of network service applications such as high-end firewall, next-generation high-performance firewall, server and link load balancing, advanced enterprise-class safety shield, and mobile communication security.
5. Special machine for railway temperature detection system. This product is able to work under strong vibration and impact, reflecting its high reliability, and hence it satisfies the application requirements for a railway temperature detection system.
6. Entertainment server product for aircraft. This product is a server terminal which serves the multi-media entertainment system in aircraft. With modular design, high reliability and easy maintenance, the product possesses a relatively strong competitive edge in the aviation service sector.

During the period under review, the Company co-established the “joint laboratory of embedded technology” with Beijing University of Technology, Beihang University, Tibet University, Xi'an University and Harbin Institute of Technology and jointly held the “Production-Study-Research Exchange Meeting”, including the “Development Workshop for Open CL Parallel Programme” and the “Excellent Engineer Training Programme”. The Company enhanced its overall R&D strength through cooperation with Chinese colleges to jointly submit projects for approval and carry out research projects at horizontal level.

During the period under review, the construction of the Company's R&D/interim testing base in Shenzhen, China has been progressing smoothly. Integration works such as equipment installation and testing as well as completion of ancillary works are being carried out, and the R&D/interim testing base is expected to commence operation within 2013, which will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products, and will fully enhance the R&D efficiency of the Company, shorten R&D cycle and expand the production scale, and thus the overall competitive strength of the Company would be enhanced.

PRODUCTS AND MARKETING

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.

During the period, by adopting diversified marketing modes in light of the market trend, the Company has opened up various new marketing channels and greatly developed its dealership network on the basis of its sales model which places focus on direct sales and supported by agents. During the period under review, the Company has selectively developed over 150 authorised dealers in China, and formulated the first telesales mode in the industry by establishing its call marketing center. Meanwhile, the Company also put great efforts on exploring e-commerce, and its online mall will duly open soon.

During the period, the Company adopted a thorough marketing strategy by promoting the latest technology achievements of its products to industrial customers via organising industrial application seminars, recommendation meetings for users as well as online exchange meetings in the internet. On the other hand, the Company strengthened public recognition of the “EVOC” brand and the influence and attractiveness of “EVOC” to the market through mounting marketing efforts including organising industrial exhibitions and advertising on media.

The Company independently held the “Core Technology-2012 EVOC New Product Technology Application Forum” in 8 Chinese cities featuring distinctive industries, in order to strengthen its technological exchange and cooperation with industry partners. At the same time, it also participated in the following exhibitions and technical exchange meetings in China:

1. “Exchange Meeting for the Development of Computing Platform Structure for Railway Transportation Terminal” in Beijing, China.
2. “10th China Chongqing Hi-Tech Fair & the 6th China International Exhibition of Military & Civil Technologies” (“CCHTF & CIEMCT”) in Chongqing, China.
3. “2012 Embedded Summit-Facilitation of Leaping Development of Internet of Things with Embedded Technology” (2012嵌入式高峰論壇 — 嵌入式技術推動物聯網跨越式發展) in Beijing, China.
4. “Intelligence System: The Next Golden Opportunity Summit” (智能系統：下一個重大機遇高峰論壇) in Beijing, China.

5. "2012 Aviation Equipment Maintenance and Repair Technology Exchange" (2012年航空裝備保障與維修技術交流會) in Yinchuan, China.
6. "New Products and Application of Core Technology Forum" (核技術新品應用論壇) in Harbin, China
7. "Networking World Congress 2012 and 11th Ethernet World Congress" (網絡世界大會2012暨第十一屆以太網世界大會) in China.
8. "Embedded World Exhibition & Conference" in Nuremberg, Germany.
9. "ESC Silicon Valley 2012" in California, US.
10. "2012 Automation World" in South Korea.
11. "7th AIMEX" (第七屆印度孟買國際自動化展覽會) in Mumbai, India.

The Company ranked first in the IPC class of the "Most Influential Brand in the Automation Industry 2011". After careful selection by Judging Committee of Chinese Institute of Electronics, the project titled *Key Technology Research and Application of Rugged Portable PC* submitted by the Company won the "2011 Electronic Information Science and Technology Award". At the China Automation Industry Annual Conference 2012 organised by the Chinese Association of Automation (CAA), i.e., the award ceremony in the subject of "Leading Enterprises Promote China", the Company's research paper titled *Design and Application of Compact PCI Hot Plugging System* was selected by experts and users as one of the "Top 10 Research Papers of the year". At the same time, the Company was also conferred the 2012 CCCA (China Cloud Computing Association) "Best Server Provider" award, which represented a great recognition on the Company's strategic achievement of balancing the market and technology mainly based on application solutions with technological experiences accumulated over many years.

OUTLOOK & PROSPECTS

During the period for China's Twelfth Five-Year Plan, Chinese government has vigorously supported the transformation and upgrading of the national economy as well as the cultivation and development of strategic emerging industries, thus raising certain new and higher requirements for equipment manufacturing industry on its progress of going green, intelligent and service oriented while creating a massive potential demand in the market. In the next 5–10 years, China's high-end equipment manufacturing industry will usher in the evolvement of important strategic opportunities, and it will become a pillar industry of national economy. At the present stage, the high-end equipment manufacturing industry has been developed primarily in such sectors as rail transportation equipment, intelligent manufacturing equipment, marine engineering equipment, aerospace equipment, satellite and related applications. Our APA products, being a strategic emerging industry within the high-end equipment manufacturing industry, have significantly been benefited from China's Twelfth Five-Year Plan, and would probably encounter another golden era of development.

Meanwhile, in the global advocate of green environment, 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. On the other hand, high-end equipment manufacturing industry, being technology intensive, will encounter rapid growth.

Amidst the new market condition, the Company will adjust and control the production capacity of the original products, while following the industrial policies and investment policies of China to pursue business opportunities being created under China's 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 and technology innovation strategy 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

The Board would like to thank our customers, partners, suppliers and shareholders for their support of the Group and to extend our appreciation to all our staff for their dedication and contributions throughout the year. Leveraging on our dedicated senior management and professional team, the Group will continue to promote our business development to create larger returns for our shareholders.

Chen Zhi Lie

Chairman

Shenzhen, the PRC, 28 March 2013

TURNOVER

For the year ended 31 December 2012, the Group's reported a total revenue of RMB1,161.8 million (2011: RMB 1,111.0 million) analysed by product category as follows:

Turnover by Product Category

Sales of Products	2012 RMB'000	2011 RMB'000	Change Percentage
Board-type APA	227,876	314,618	-27.6%
Chassis-type APA	369,217	243,359	+51.7%
Remote data modules	7,095	14,479	-51.0%
APA products	604,188	572,456	+5.5%
Auxiliary services business	557,573	538,593	+3.5%
Total	1,161,761	1,111,049	+4.6%

Turnover by Geographical Location

Regions in China	2012 RMB'000	2011 RMB'000	Change Percentage
South China	795,640	762,929	+4.3%
North and Northeast China	192,318	183,864	+4.6%
East China	147,210	131,568	+11.9%
Southwest China	3,252	2,354	+38.1%
Northwest China	14,556	17,267	-15.7%
Export sales	8,785	13,067	-32.8%
Total	1,161,761	1,111,049	+4.6%

During the period under review, the Group's revenue was approximately RMB1,161.8 million, representing a slightly increase of approximately 4.6%.

COST OF SALES

Cost of sales increased 9.9% from RMB883.2 million in 2011 to RMB971.0 million in 2012. The increase was mainly due to increase the price of raw materials and labour costs.

GROSS PROFIT

Gross profit in 2012 was approximately RMB190.8 million, a decrease of 16.3% compared to RMB227.9 million in 2011. The decrease in gross profit margin due to increase in auxiliary services business with a comparatively lower margin.

OTHER INCOME

Other income increased from RMB68.6 million in 2011 to RMB95.3 million in 2012 mainly attribute to government subsidies and bank interest income.

Selling & Distribution costs

The selling and distribution costs slightly decreased 3.9% from RMB50.5 million in 2011 to RMB48.5 million in 2012 due to decrease in advertising cost.

Administrative Expenses

The administrative expenses decreased 8.1% from RMB47.9 million in 2011 to RMB44.0 million in 2012 due to decrease of administrative staff headcount.

Research & Development costs

The research and development costs decreased 11.9% from RMB51.6 million in 2011 to RMB45.5 million in 2012 due to decreased in material parts consumables and headcount of research and development staff.

Finance Costs

Finance costs increased 50.7% from RMB32.8 million in 2011 to RMB49.5 million in 2012 mainly due to increase in bank borrowings.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company slightly decreased from RMB93.54 million in 2011 to RMB93.45 million in 2012, representing a decrease of approximately 0.1%. The net profit margin has been increased from 8.0% to 8.2%.

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 2012, the Group's gearing ratio had increased to 62.3% (calculated on the basis of the Group's total liabilities over total assets) from 54.4% as at 31 December 2011. At the year end date the Group's total bank borrowings amounted to RMB1,595 million (2011: RMB1,012 million). The Group's cash and bank balances as at 31 December 2012 has increased to RMB1,550 million (2011: RMB1,160 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 1.80 as at 31 December 2012 (2011: 2.18).

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 2012.

PLEDGE OF ASSETS

At 31 December 2012, 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 RMB997.3 million (2011: RMB863.0 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.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had total workforce of 1,308 (2011: 1,535). Employee benefit during the year was RMB87.9 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.

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 49, 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 25 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 84, 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 51, 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 51 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 22 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.

Dai Lin Ying (戴琳瑛), aged 49, 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 20 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 44 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 18 years of experience in marketing and corporate management. He is currently executive director and general manager of Shenzhen HYP Industries Limited (深圳市恆盈普泰實業有限公司).

An Jian (安健), aged 44, 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 19 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 (德恆律師事務所).

SUPERVISORS

Pu Jing (濮靜), aged 47, 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 22 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 42, 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 21 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 37, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He has over 16 years of experience in management and administration.

Wen Bing (聞冰), aged 51, 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 26 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. (深圳市欣軟天科技有限公司) 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 53, 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.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 62, 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 24 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 39, 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 general manager. He took up the general manager duties in 2011. 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 19 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 46, the vice 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 18 years of experience in the quality control of electronic products. He joined the Company in July 1999.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 89.

The Board of directors recommended the payment of final dividend RMB0.01 per share for the year ended 31 December 2012 (2011: Nil).

The proposed final dividend for the year is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Details of the annual general meeting and the arrangement for closure of register of members will be separately announced.

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 2012, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB764 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 38.9% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 9.6% of the Group's revenue for the year. 61.2% 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 44.8% 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.

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 2012.

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 2012, 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 Model Code for Securities Transaction by Directors of Listed Issuers, 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:

- 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.
- These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. By virtue of Mr. Chen holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

(b) Long position — interests in associated corporations

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	70.5%
		Interest of spouse	29.5%
Wang Rong (王蓉)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner	29.5%
		Interest of spouse	70.5%

Note: Ms. Wang Rong (王蓉) is the spouse of Mr. Chen and therefore Mr. Chen is deemed 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 2012, 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 10% 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:

- 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.
- These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. By virtue of Mr. Chen holding the entire interest in Shenzhen Haoxuntong Industry Co. Ltd., Mr. Chen 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 2012, none of the directors, supervisors or chief executives or their respective associates 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) As at 31 December 2012, so far as is known to any director or supervisor, there is no person (other than a Director or supervisor or chief executive of the Company) who 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Enlarged Group 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).

SHARE OPTION SCHEME

Up to 31 December 2012, 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 Appendix 10 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 2012.

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.

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 2012, 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 2012, the Group had capital commitments authorised but not contracted for and contracted but not provided for were approximately RMB249.0 million (2011: RMB821.6 million) and RMB299.6 million (2011: RMB282.3 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.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group entered into an agreement for acquisition of 49% equity interest in 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) at a consideration of RMB319,000,000 and had no material disposal during the year ended 31 December 2012.

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, 28 March 2013

* for identification propose only

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 2012 to 31 December 2012.

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:

- To implement resolutions of the general meetings;
- To lay down the Group’s management policies, business strategies and investment plan;
- To review and approve the annual, interim and quarterly results of the Group;
- To monitor and control operating and financial performance through the determination of the annual budget;
- To review and approve the appointment of auditor of the Group; and
- To review the amendment to the articles of association of the Company.

In addition, the Board carries the function of reviewing the corporate governance practice and disclosure system as follow:

- Develop and review the Company’s policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of directors and senior management;
- Review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- Review the Company’s compliance with the code and disclosure in the Corporate Governance Report.

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 14 to 16 of this annual report.

DIRECTORS' TRAINING

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

For the period from 1 January 2012 to 31 December 2012, all Directors provided their records of training to the Company. All Directors, namely Mr. Chen Zhi Lie, Mr. Tso Cheng Shun, Mr. Zhu Jun, Mr. Ling Chun Kwok, Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian, participated in this continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching listing rules and disclosure of inside information, etc.

COMPANY SECRETARY'S TRAINING

Pursuant to new Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending in-house briefings, attending seminars and reading relevant guideline materials.

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.

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 2012. 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 and Review Committee	Nomination Committee
Executive directors:				
Chen Zhi Lie (<i>Chairman</i>)	5/5	—	—	1/1
Tso Cheng Shun	5/5	—	—	—
Zhu Jun	5/5	—	1/1	—
Independent non-executive directors:				
Ling Chun Kwok	5/5	2/2	—	—
Dai Lin Ying	5/5	—	—	1/1
Wang Zhao Hui	5/5	2/2	1/1	1/1
An Jian	5/5	2/2	1/1	—

BOARD COMMITTEES

The Company has established Audit Committee, Remuneration and Review Committee and Nomination Committee. The function of each specialised 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 AND REVIEW COMMITTEE

The remuneration and review 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 and review committee. Written terms of reference of the remuneration and review committee which comply with the code provisions set out in the Code has been adopted by the Board. The remuneration and review 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 and review committee held one meeting during the year ended 31 December 2012.

DIRECTORS' REMUNERATION

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

NOMINATION COMMITTEE

The nomination committee of the Company comprises one executive director Mr Chen Zhi Lie, and two independent non-executive directors, Mr. Wang Zhao Hui and Ms. Dai Lin Ying. Mr Chen Zhi Lie is the Chairman of the nomination committee. 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.

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 2012.

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\$1,055,000 (2011: HK\$928,000). 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, 28 March 2013



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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 30 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

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 2012 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, 28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	7	1,161,761	1,111,049
Cost of sales		(970,965)	(883,191)
Gross profit		190,796	227,858
Other income	7	95,325	68,607
Selling and distribution costs		(48,534)	(50,502)
Administrative expenses		(43,966)	(47,859)
Other operating expenses		(53,797)	(62,640)
Other gains	8	5,026	12,062
Finance costs	9	(49,477)	(32,830)
Profit before income tax	10	95,373	114,696
Income tax expense	12(a)	(675)	(26,303)
Profit for the year		94,698	88,393
Other comprehensive income, after tax			
Surplus on revaluation of buildings	16 & 29	29,874	15,896
Exchange differences on translating foreign operations		—	369
Other comprehensive income for the year, net of tax		29,874	16,265
Total comprehensive income for the year		124,572	104,658
Profit attributable to:			
— Owners of the Company		93,453	93,535
— Non-controlling interests		1,245	(5,142)
		94,698	88,393
Total comprehensive income attributable to:			
— Owners of the Company		110,468	109,800
— Non-controlling interests		14,104	(5,142)
		124,572	104,658
Earnings per share — Basic and diluted (RMB)	15	0.076	0.076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

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	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	774,913	593,812
Investment properties	17	119,033	95,418
Prepaid land lease payments	18	76,074	57,421
Deferred tax assets	29	16,196	1,302
Total non-current assets		986,216	747,953
Current assets			
Inventories	20	39,712	60,941
Properties under development	21	917,384	662,971
Prepaid land lease payments	18	1,673	1,287
Trade receivables	22	203,942	143,042
Bills receivable	22	49,554	48,572
Other receivables, deposits and prepayments	23	42,041	36,011
Income tax recoverable		1,179	130
Cash and bank balances	25	1,550,317	1,160,462
Total current assets		2,805,802	2,113,416
Current liabilities			
Trade payables	26	199,729	133,486
Bills payable	26	2,632	258
Other payables, accruals and receipts in advance	27	439,613	301,350
Bank borrowings	28	906,000	519,000
Income tax payable		13,582	13,225
Total current liabilities		1,561,556	967,319
Net current assets		1,244,246	1,146,097
Total assets less current liabilities		2,230,462	1,894,050
Non-current liabilities			
Bank borrowings	28	688,980	492,873
Deferred tax liabilities	29	113,513	97,731
Total non-current liabilities		802,493	590,604
NET ASSETS		1,427,969	1,303,446

32 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	30	123,314	123,314
Reserves		961,161	850,742
Equity attributable to owners of the Company		1,084,475	974,056
Non-controlling interests		343,494	329,390
TOTAL EQUITY		1,427,969	1,303,446

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

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	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	691,246	582,488
Investment properties	17	125,433	101,802
Prepaid land lease payments	18	56,183	57,421
Investments in subsidiaries	19	530,143	278,731
Deferred tax assets	29	907	—
Total non-current assets		1,403,912	1,020,442
Current assets			
Inventories	20	38,416	58,592
Prepaid land lease payments	18	1,263	1,287
Trade receivables	22	33,107	45,371
Bills receivable	22	16,197	12,586
Other receivables, deposits and prepayments	23	19,578	16,669
Amounts due from subsidiaries	24	651,709	270,647
Cash and bank balances	25	1,476,859	1,091,697
Total current assets		2,237,129	1,496,849
Current liabilities			
Trade payables	26	75,020	59,394
Bills payable	26	2,632	—
Other payables, accruals and receipts in advance	27	187,765	198,115
Amounts due to subsidiaries	24	660,492	258,784
Bank borrowings	28	906,000	492,000
Income tax payable		5,017	5,461
Total current liabilities		1,836,926	1,013,754
Net current assets		400,203	483,095
Total assets less current liabilities		1,804,115	1,503,537
Non-current liabilities			
Bank borrowings	28	688,980	492,873
Deferred tax liabilities	29	42,999	38,760
Total non-current liabilities		731,979	531,633
NET ASSETS		1,072,136	971,904

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	30	123,314	123,314
Reserves	31(b)	948,822	848,590
TOTAL EQUITY		1,072,136	971,904

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

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	Share capital	Share premium	Statutory surplus reserve	Properties revaluation reserve	Translation reserve	Retained earnings	Attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30)	(Note 31(c)(i))	(Note 31(c)(ii))	(Note 31(c)(iii))	(Note 31(c)(iv))				
Balance 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
Profit for the year	—	—	—	—	—	93,453	93,453	1,245	94,698
Other comprehensive income for the year	—	—	—	17,015	—	—	17,015	12,859	29,874
Total comprehensive income for the year	—	—	—	17,015	—	93,453	110,468	14,104	124,572
Transferred between reserves	—	—	534	—	—	(534)	—	—	—
Others	—	—	(49)	—	—	—	(49)	—	(49)
Balance at 31 December 2012	123,314	8,586	78,552	119,680	1,060	753,283	1,084,475	343,494	1,427,969

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities		
Profit before income tax	95,373	114,696
Adjustments for:		
Depreciation and amortisation	23,839	30,610
Interest expenses	49,193	32,798
Impairment loss/(reversal of impairment) on trade receivables	1,484	(3,802)
Loss on disposal of property, plant and equipment	743	430
Fair value gain on investment properties	(5,026)	(11,904)
Impairment loss/(reversal of impairment) on inventories	5,709	(725)
Interest income	(39,222)	(26,986)
Gain on disposal of subsidiary	—	(159)
Operating profit before working capital changes	132,093	134,958
Increase in other payables and accruals	138,262	116,551
Decrease/(increase) in inventories	15,521	(26,543)
Increase in properties under development	(289,580)	(161,155)
Increase in trade payables	66,243	31,257
Increase/(decrease) in bills payable	2,374	(17,777)
Increase in other receivables, deposits and prepayments	(6,030)	(5,110)
(Increase)/decrease in trade receivables	(62,384)	13,534
(Increase)/decrease in bills receivable	(982)	6,359
Cash (used in)/generated from operations	(4,483)	92,074
Income tax paid	(10,107)	(2,556)
Net cash (used in)/generated from operating activities	(14,590)	89,518
Cash flows from investing activities		
(Increase)/decrease in time deposits with original maturity of more than three months when acquired	(245,000)	230,000
Purchase of property, plant and equipment	(148,719)	(274,479)
Decrease/(increase) in pledged bank balances	5,854	(2,994)
Increase in restricted bank deposit	(1,757)	—
Prepayment of land lease payments	(20,429)	—
Proceeds from disposal of property, plant and equipment	457	77
Interest received	39,222	26,986
Disposal of a subsidiary, net of cash disposed	—	1,075
Net cash used in investing activities	(370,372)	(19,335)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

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	Note	2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		(479,000)	(679,000)
Interest paid		(49,193)	(32,798)
Proceeds from new bank borrowings		1,062,107	749,045
Net cash generated from financing activities		533,914	37,247
Net increase in cash and cash equivalents		148,952	107,430
Cash and cash equivalents at beginning of year		225,380	117,604
Effect of foreign exchange rate changes		—	346
Cash and cash equivalents at end of year	25	374,332	225,380

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 Gaoxinzongsi Avenue, Nanshan District, Shenzhen, the PRC. At 31 December 2012, 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 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity’s future cash flows.

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

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 “Investment Property” is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property 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. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date (see note 4(l)).

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2012 (continued)

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets (continued)

In respect of the Group’s investment properties located in PRC, the Group has determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these properties using the tax rate that would apply as a result of recovering their value through use.

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

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

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle ²
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
Amendment to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 27 (2011)	Separate Financial Statements ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ³

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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

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

HKFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41–44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

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

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

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.

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.

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 10 – Consolidated Financial Statements (continued)

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.

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.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

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 consolidated financial statements are presented in Renminbi (“RMB”), which is both the functional currency and presentation 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 (the "Group"). 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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 related leasehold land
Leasehold improvements	18–20%
Plant and machinery	9–10%
Furniture, fixtures and equipment	18–20%
Motor vehicles	18–20%

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(i) Financial assets (continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(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.

(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 contract 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.
- (iv) Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 taxable 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 appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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"). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

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 translation reserve.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of other assets

At the end of each reporting period, the Group 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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); or
- (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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (continued)

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.

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

(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.

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
- Sales of development properties

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.

For the year ended 31 December 2012

	APA products and electronic accessories RMB’000	Property development RMB’000	Total RMB’000
External revenue	1,161,761	—	1,161,761
Reportable segment profit/(loss)	59,823	(11,625)	48,198
Interest income	38,960	262	39,222
Depreciation and amortisation	(21,779)	(2,060)	(23,839)
Impairment loss on trade receivables	(1,484)	—	(1,484)
Impairment loss on inventories	(5,709)	—	(5,709)
Reportable segment assets	2,061,319	1,009,436	3,070,755
Additions to non-current assets	428,140	35	428,175
Reportable segment liabilities	(1,250,121)	(691,853)	(1,941,974)

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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 loss on trade receivables	3,802	—	3,802
Reversal of impairment loss on inventories	725	—	725
Reportable segment assets	1,647,713	692,624	2,340,337
Additions to non-current assets	746,598	50	746,648
Reportable segment liabilities	(920,155)	(409,260)	(1,329,415)

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":

	2012 RMB'000	2011 RMB'000
Customer A	N/A	271,543
Customer B	N/A	127,750

In 2012, the revenue from either Customer A or Customer B does not contribute 10% or more of the Group's revenue.

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

	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	1,161,761	1,111,049

6. SEGMENT INFORMATION (CONTINUED)

Notes: (continued)

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

	2012 RMB'000	2011 RMB'000
Profit before income tax		
Reportable segment profit	48,198	70,121
Other income	95,325	68,607
Other gains	5,026	12,062
Unallocated corporate expenses	(3,699)	(3,264)
Finance costs	(49,477)	(32,830)
Profit before income tax	95,373	114,696
	2012 RMB'000	2011 RMB'000
Reportable segment assets		
Reportable segment assets	3,070,755	2,340,337
Income tax recoverable	1,179	130
Deferred tax assets	16,196	1,302
Unallocated corporate assets	703,888	519,600
Consolidated total assets	3,792,018	2,861,369
	2012 RMB'000	2011 RMB'000
Reportable segment liabilities		
Reportable segment liabilities	1,941,974	1,329,415
Bank borrowings	294,980	117,552
Deferred tax liabilities	113,513	97,731
Tax payables	13,582	13,225
Consolidated total liabilities	2,364,049	1,557,923

(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 and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Hong Kong	5	763	—	3
PRC (place of domicile)	1,161,756	1,110,286	970,020	746,648
	1,161,761	1,111,049	970,020	746,651

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7. TURNOVER AND OTHER INCOME

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

	2012 RMB'000	2011 RMB'000
Turnover		
Sales of APA products	604,188	572,456
Sales of electronic accessories	557,573	538,593
	1,161,761	1,111,049
Other income		
Bank interest income	39,222	26,986
Value-added tax ("VAT") concessions (note (a))	10,207	7,207
Gross rentals from investment properties	36,999	32,783
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	(11,783)	(12,849)
	25,216	19,934
Government subsidies (note (b))	11,928	4,052
Sub-contracting income	1,175	2,420
Sundry income	7,577	8,008
	95,325	68,607
	1,257,086	1,179,656

(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 for development of high-technology products.

8. OTHER GAINS

	2012 RMB'000	2011 RMB'000
Fair value gain on investment properties	5,026	11,903
Gain on disposal of a subsidiary	—	159
	5,026	12,062

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	98,229	60,543
Less: Interest capitalised	(49,036)	(27,745)
	49,193	32,798
Bank charges	284	32
	49,477	32,830

10. PROFIT BEFORE INCOME TAX

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

	2012 RMB'000	2011 RMB'000
Auditor's remuneration	851	760
Cost of inventories recognised as an expense (note (a))	970,965	883,191
Depreciation of property, plant and equipment	22,448	29,347
Amortisation of prepaid land lease payments	1,391	1,263
Foreign exchange difference, net	2	(32)
Loss on disposal of property, plant and equipment	743	430
Impairment loss/(reversal of impairment) on trade receivables	1,484	(3,802)
Impairment loss/(reversal of impairment) on inventories	5,709	(725)
Minimum lease payments under operating leases	9,714	8,785
Research and development costs (note (b))	45,461	51,602
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	81,202	80,826
Contributions to retirement benefits schemes	6,669	6,834
	87,871	87,660

Notes:

- (a) Cost of inventories sold includes staff costs and depreciation of RMB26,351,000 (2011: RMB28,695,000) and RMB5,730,000 (2011: RMB7,218,000) respectively, which are also included in the total amounts disclosed above for each of these types of expenses.
- (b) Research and development costs exclude depreciation charge of RMB3,413,000 (2011: RMB4,426,000).

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

The emoluments paid or payable to directors are as follows:

	2012 RMB'000	2011 RMB'000
Fees	66	61
Other emoluments:		
Salaries, allowances and benefits in kind	306	271
Contributions to retirement benefits schemes	16	16
	322	287
	388	348

(a) Independent non-executive directors

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

	2012 RMB'000	2011 RMB'000
Mr An Jian	12	12
Ms Dai Lin Ying	12	12
Mr Ling Chun Kwok	30	25
Mr Wang Zhao Hui	12	12
	66	61

There were no other emoluments payable to the independent non-executive directors during the reporting period (2011: 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
2012				
Mr Chen Zhi Lie	—	120	8	128
Mr Tso Cheng Shun	—	30	—	30
Mr Zhu Jun	—	156	8	164
	—	306	16	322
2011				
Mr Chen Zhi Lie	—	106	8	114
Mr Tso Cheng Shun	—	30	—	30
Mr Zhu Jun	—	135	8	143
	—	271	16	287

(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
2012			
Ms Pu Jing	128	7	135
Mr Zhan Guo Nian	92	5	97
Mr Zhang Zheng An	20	—	20
Mr Dong Lixin	12	—	12
Mr Wen Bing	12	—	12
	264	12	276
2011			
Ms Pu Jing	122	7	129
Mr Zhan Guo Nian	20	5	25
Mr Zhang Zheng An	20	—	20
Mr Dong Lixin	12	—	12
Mr Wen Bing	12	—	12
	186	12	198

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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 (2011: 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 (2011: two). The emoluments of the remaining three (2011: three) individuals, during the reporting period were as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	646	775
Contributions to retirement benefits schemes	25	27
	671	802

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 RMB810,700) for the years ended 31 December 2012 and 2011.

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 (2011: Nil).

12. INCOME TAX EXPENSE

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

	2012 RMB'000	2011 RMB'000
Current tax – PRC		
Provision for the year	12,381	14,846
Over-provision in respect of prior year	(3,015)	(39)
	9,366	14,807
Deferred taxation (Note 29)		
Origination and reversal of temporary differences, net	(9,204)	11,496
Change in tax rate	513	—
	(8,691)	11,496
Income tax expense	675	26,303

12. INCOME TAX EXPENSE (continued)

(a) (continued)

In accordance with the PRC Enterprise Income Tax Law, the PRC Enterprise Income Tax (the "EIT") is calculated at 25% on the estimated assessable profit for the year. 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. These subsidiaries are subject to income tax rates ranging from 12.5% to 25% (2011: 12.5% 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% (2011: 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 2012 and 2011 as there were no estimated assessable profits arose for both years.

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

	2012 RMB'000	2011 RMB'000
Profit before income tax	95,373	114,696
Tax at applicable tax rate at 25% (2011: 25%)	23,843	28,674
Effect of tax exemption and reduction	(10,819)	(9,245)
Tax effect of non-taxable income	(5,480)	(1,022)
Tax effect of non-deductible expenses	4,448	4,212
Tax effect of tax losses and temporary differences not recognised	2,848	3,741
Recognition of tax losses and temporary differences previously not recognised	(11,663)	—
Utilisation of tax loss previously not recognised	—	(18)
Over-provision in respect of prior year	(3,015)	(39)
Change in tax rate	513	—
Income tax expense	675	26,303

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes an amount of RMB96,936,000 (2011: RMB126,145,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

The directors recommended a final dividend of RMB0.01 per ordinary share. The final dividend proposed subsequent to the reporting period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed dividends after the end of reporting period has not been recognised as a liability at the end of the reporting period.

15. EARNINGS PER SHARE

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

	2012	2011
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	93,453	93,535
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	0.076

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	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor 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 2011	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
Additions	—	—	912	5,765	—	142,041	148,718
Transfer from properties under development	35,167	—	—	—	—	—	35,167
Transfer to investment properties (note a)	(18,589)	—	—	—	—	—	(18,589)
Disposals	—	—	(3,999)	(3,357)	(52)	—	(7,408)
Revaluation surplus	34,807	—	—	—	—	—	34,807
As at 31 December 2012	221,367	31,575	26,709	88,789	14,396	508,803	891,639
Accumulated depreciation:							
As at 1 January 2011	—	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
Charge for the year	4,646	1,539	2,851	11,816	1,596	—	22,448
Written back on disposal	—	—	(3,382)	(2,779)	(47)	—	(6,208)
Eliminated on revaluation	(4,646)	—	—	—	—	—	(4,646)
As at 31 December 2012	—	31,460	7,271	65,701	12,294	—	116,726
Carrying values:							
As at 31 December 2012	221,367	115	19,438	23,088	2,102	508,803	774,913
As at 31 December 2011	169,982	1,654	21,994	29,717	3,703	366,762	593,812

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Company**

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor 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 2011	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
Additions	—	—	912	4,850	—	137,177	142,939
Transfer to investment properties (note a)	(18,208)	—	—	—	—	—	(18,208)
Disposals	—	—	(3,999)	(2,456)	(52)	—	(6,507)
Revaluation surplus	1,177	—	—	—	—	—	1,177
As at 31 December 2012	146,568	30,880	26,709	81,117	12,306	503,939	801,519
Accumulated depreciation:							
As at 1 January 2011	—	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
Charge for the year	2,887	1,504	2,851	10,443	1,365	—	19,050
Written back on disposal	—	—	(3,382)	(2,091)	(47)	—	(5,520)
Eliminated on revaluation	(2,887)	—	—	—	—	—	(2,887)
As at 31 December 2012	—	30,880	7,271	61,175	10,947	—	110,273
Carrying values:							
As at 31 December 2012	146,568	—	19,438	19,942	1,359	503,939	691,246
As at 31 December 2011	163,599	1,504	21,994	25,900	2,729	366,762	582,488

Notes:

- (a) For the year ended 31 December 2012, certain previously self-occupied properties with a total carrying amount of RMB18,589,000 and RMB18,208,000 respectively have been leased out under operating leases by the Group and the Company. No previously lease out properties have been occupied for self use by either the Group and the Company during the year ended 31 December 2012 (2011: carrying amount of RMB11,669,000 and RMB13,322,000).

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes (continued):

- (b) The buildings held by the Group and the Company at 31 December 2012 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, direct comparison approach by making reference to comparable transaction available in the relevant market or cost approach. 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 2012 would have been RMB75,958,000 (2011: RMB62,891,000) and RMB44,637,000 (2011: RMB64,545,000) respectively.

- (c) As at 31 December 2012, the Group and the Company had pledged the buildings with total carrying values of RMB151,170,000 and RMB146,568,000 respectively (2011: RMB168,545,000 and RMB163,599,000) and certain construction in progress with total carrying values of RMB503,939,000 (2011: RMB366,762,000), 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 RMB151,170,000 and RMB146,568,000 respectively (2011: RMB168,545,000 and RMB163,599,000) were not freely transferable.
- (e) An analysis of cost and valuation of the Group's and the Company's property, plant and equipment:

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
At valuation	221,367	—	—	—	—	—	221,367
At cost	—	31,575	26,709	88,789	14,396	508,803	670,272
As at 31 December 2012	221,367	31,575	26,709	88,789	14,396	508,803	891,639
At valuation	169,982	—	—	—	—	—	169,982
At cost	—	31,575	29,796	86,381	14,448	366,762	528,962
As at 31 December 2011	169,982	31,575	29,796	86,381	14,448	366,762	698,944
Company							
At valuation	146,568	—	—	—	—	—	146,568
At cost	—	30,880	26,709	81,117	12,306	503,939	654,951
As at 31 December 2012	146,568	30,880	26,709	81,117	12,306	503,939	801,519
At valuation	163,599	—	—	—	—	—	163,599
At cost	—	30,880	29,796	78,723	12,358	366,762	518,519
As at 31 December 2011	163,599	30,880	29,796	78,723	12,358	366,762	682,118

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17. INVESTMENT PROPERTIES

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Carrying amount, at fair values				
At beginning of year	95,418	101,802	95,183	102,383
Transfer from property, plant and equipment (Note 16(a))	18,589	18,208	—	—
Transfer to property, plant and equipment (Note 16(a))	—	—	(11,669)	(13,322)
Increase in fair value	5,026	5,423	11,904	12,741
At end of year	119,033	125,433	95,418	101,802

Investment properties held by the Group and the Company at 31 December 2012 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, direct comparison approach by making reference to comparable sales transactions available in the relevant market or cost approach.

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. As at 31 December 2012, the Group and the Company had pledged the investment properties with total carrying values of RMB97,830,000 (2011: RMB78,455,000) and RMB102,433,000 (2011: RMB83,402,000) respectively, to secure banking facilities granted to the Group and the Company.

An investment property of the Group and the Company with carrying value of RMB97,830,000 and RMB102,433,000 respectively (2011: RMB78,455,000 and RMB83,402,000) is not freely transferable.

18. PREPAID LAND LEASE PAYMENTS

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Cost:				
At beginning of year	62,950	62,950	497,052	62,950
Additions	20,429	—	—	—
Transfer to properties under development	—	—	(434,102)	—
At end of year	83,379	62,950	62,950	62,950
Accumulated amortisation and impairment:				
At beginning of year	4,241	4,241	56,080	2,979
Charge for the year	1,391	1,263	1,263	1,263
Transfer to properties under development	—	—	(53,101)	—
At end of year	5,632	5,504	4,242	4,242
Carrying values at end of year	77,747	57,446	58,708	58,708
Less: Current portion included under current assets	(1,673)	(1,263)	(1,287)	(1,287)
Non-current portion	76,074	56,183	57,421	57,421

- (a) All 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 RMB52,309,000 at 31 December 2012 (2011: RMB53,446,000) which is being held under a term of 50 years commencing on 1 January 2009. The land was 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 RMB5,137,000 at 31 December 2012 (2011: RMB5,262,000) which is being held under a term of 50 years commencing on 27 November 2003. The land was 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 pledged certain land lease payments having a carrying amount of RMB57,446,000 at 31 December 2012 (2011: RMB58,708,000) to secure general banking facilities granted to the Group and the Company.

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19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	537,443	282,360
Impairment loss	(7,300)	(3,629)
	530,143	278,731

Details of the Company's principal subsidiaries, the business structure of which were corporations, as at 31 December 2012 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		Principal activities
			directly	indirectly	
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 Shenzhen EVOC Xinteer Technology Company Limited*	PRC	RMB10,000,000	—	100%	Trading of electronic accessories
上海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.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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.

On 4 February 2012, the Company's subsidiary, 蘇州研祥智能科技有限公司, Suzhou EVOC Intelligent Technology Company Limited, was deregistered.

20. INVENTORIES

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Raw materials	22,840	22,840	27,885	27,865
Work-in-progress	8,680	8,680	11,910	11,910
Finished goods	19,640	15,422	26,885	20,723
	51,160	46,942	66,680	60,498
Less: Allowance for inventories	(11,448)	(8,526)	(5,739)	(1,906)
	39,712	38,416	60,941	58,592

The cost of inventories recognised as an expense during the reporting period was RMB970,965,000 (2011: RMB883,191,000), of which RMB5,709,000 was in respect of net reversal of write-off of inventories made in prior years (2011: RMB725,000).

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

21. PROPERTIES UNDER DEVELOPMENT

	2012 RMB'000	2011 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	493,302	261,808
Capitalised interests	50,264	20,163
Land use rights	373,818	381,000
	917,384	662,971

All properties under development are located in the PRC.

The capitalisation rate of borrowings is 6.80% for the year ended 31 December 2012 (2011: 6.50%).

As at 31 December 2012, the properties under development with carrying amount of RMB186,938,000 (2011: RMB190,529,000) was pledged as collateral for the Group's borrowings (Note 28).

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22. TRADE AND BILLS RECEIVABLES

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Trade receivables (note (a))	206,414	33,762	144,030	45,727
Allowance for impairment losses (note (c))	(2,472)	(655)	(988)	(356)
Trade receivables, net	203,942	33,107	143,042	45,371
Bills receivable (note (d))	49,554	16,197	48,572	12,586
Total	253,496	49,304	191,614	57,957

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:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
0 to 90 days	194,666	30,571	128,574	37,160
91 to 180 days	3,167	1,734	9,938	5,570
181 to 365 days	4,868	667	3,756	2,696
Over 1 year	3,713	790	1,762	301
Gross trade receivables	206,414	33,762	144,030	45,727

- (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:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Neither past due nor impaired	169,070	28,717	108,059	31,197
Within 90 days past due	28,925	3,599	27,444	10,695
91 to 180 days past due	5,078	791	4,080	1,172
181 to 365 days past due	815	—	3,005	2,307
Over 365 days past due	54	—	454	—
Amount past due but not impaired	34,872	4,390	34,983	14,174
	203,942	33,107	143,042	45,371

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) (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:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
At beginning of year	988	356	4,790	1,457
Impairment loss recognised/(reversed), net	1,484	299	(3,802)	(1,101)
At end of year	2,472	655	988	356

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 RMB28,837,000 and RMB26,997,000 (2011: RMB32,686,000 and RMB30,508,000) 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

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Other receivables	15,228	13,715	25,766	14,590
Deposits	7,035	3,446	2,477	524
Advance to suppliers	6,435	2,417	1,885	1,555
Prepayments	13,343	—	5,883	—
	42,041	19,578	36,011	16,669

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24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	2012	2011
	RMB'000	RMB'000
Amounts due from subsidiaries	663,874	282,812
Less: impairment loss	(12,165)	(12,165)
	651,709	270,647
Amounts due to subsidiaries	(660,492)	(258,784)

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

25. CASH AND BANK BALANCES

	2012		2011	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Time deposits	1,160,000	1,160,000	915,000	915,000
Cash and bank balances	388,560	316,859	245,462	176,697
Restricted bank deposit	1,757	—	—	—
	1,550,317	1,476,859	1,160,462	1,091,697
Less:				
Time deposits with original maturity of more than three months when acquired (note (a))	(1,160,000)	(1,160,000)	(915,000)	(915,000)
Pledged bank balances (note (b))	(14,228)	(14,228)	(20,082)	(19,824)
Restricted bank deposit (note (c))	(1,757)	—	—	—
	(1,175,985)	(1,174,228)	(935,082)	(934,824)
Cash and cash equivalents	374,332	302,631	225,380	156,873

25. CASH AND BANK BALANCES (CONTINUED)

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 3.07% per annum (2011: 2.60% 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 during the construction.
- (c) Restricted bank deposit represents the guarantee deposit for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties.
- (d) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (e) 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

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Trade payables	199,729	75,020	133,486	59,394
Bills payable	2,632	2,632	258	—
	202,361	77,652	133,744	59,394

The following is the ageing analysis of trade payables:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
0 to 90 days	195,924	72,293	114,297	56,815
91 to 180 days	637	434	16,980	788
181 to 365 days	841	327	1,331	1,045
Over 1 year	2,327	1,966	878	746
	199,729	75,020	133,486	59,394

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.

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27. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Construction payables	252,028	127,895	195,284	154,089
Receipts in advance	124,085	5,211	49,662	4,581
Government grants (note)	15,207	14,730	13,202	11,330
Other payables	21,124	16,303	23,563	11,817
Other tax payables	14,544	12,300	4,405	2,688
Accruals	12,625	11,326	15,234	13,610
	439,613	187,765	301,350	198,115

Note: The balance represents grants obtained from the PRC government in relation to the purchase of specified property, plant and equipment for 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

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Secured bank borrowings	1,594,980	1,594,980	1,011,873	984,873
At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:				
On demand or within one year	906,000	906,000	519,000	492,000
After one year but within two years	210,000	210,000	166,000	166,000
After two years but within five years	478,980	478,980	326,873	326,873
	688,980	688,980	492,873	492,873
	1,594,980	1,594,980	1,011,873	984,873

28. BANK BORROWINGS (CONTINUED)

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

	Group and Company			
	2012		2011	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank borrowings	6.62%	170,000	6.66%	100,000
Floating rate borrowings				
Bank borrowings	5.76%–7.22%	1,424,980	4.86%–7.05%	911,873

At 31 December 2012, the secured bank borrowings and general banking facilities of the Group and the Company with carrying amount of RMB864,980,000 (2011: RMB584,873,000) 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, the Group and the Company had available undrawn committed borrowing facilities of RMB335,020,000 (2011: RMB1,015,127,000) in respect of which all conditions precedent had been met.

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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

	Capitalised Interests on borrowings	Unrealised profit on inter company transactions	Revaluation of properties	Allowance for impairment losses	Temporary difference on recognition of sales and relevant cost	Temporary difference on recognition of expenses	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	(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
Charged/(credited) to profit or loss	2,237	628	1,540	(921)	(2,108)	(8,880)	(1,700)	(9,204)
Effect of change in tax rate	—	—	—	513	—	—	—	513
Charged to other comprehensive income	—	—	9,579	—	—	—	—	9,579
At 31 December 2012	4,873	(1,951)	108,640	(1,557)	(2,108)	(8,880)	(1,700)	97,317

Company

	Capitalised Interests on borrowings	Revaluation of properties	Allowance for impairment losses	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	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
Charged/(credited) to profit or loss	1,722	1,653	(988)	—	2,387
Effect of change in tax rate	—	—	226	—	226
Charged to other comprehensive income	—	719	—	—	719
At 31 December 2012	2,658	40,762	(1,328)	—	42,092

29. DEFERRED TAXATION (CONTINUED)

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

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Deferred tax assets	(16,196)	(907)	(1,302)	—
Deferred tax liabilities	113,513	42,999	97,731	38,760
	97,317	42,092	96,429	38,760

The Group has estimated unused tax losses arising in the PRC of RMB29,930,000 (2011: RMB41,024,000) that can be carried forward for five years and estimated unused tax losses arising in Hong Kong of RMB7,352,000 (2011: RMB4,503,000) that can be carried forward indefinitely for offsetting against its future taxable profits.

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

Year of expiry	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
2013	4,720	—	4,720	—
2014	4,067	—	12,202	—
2015	4,554	—	9,218	—
2016	10,089	—	14,884	—
2017	6,500	—	—	—
	29,930	—	41,024	—

The Group recognised a deferred tax asset of RMB1,700,000 (2011: Nil) regarding unused tax losses of RMB6,800,000 (2011: Nil). No deferred tax assets have been recognised for the remaining unused tax losses of RMB23,130,000 (2011: RMB41,024,000) as the availability of future taxable profits to utilise the temporary differences is not probable.

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30. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
At 1 January 2011, 31 December 2011 and 2012	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.

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 35.

(b) Company

	Share premium RMB'000 (note c(i))	Statutory surplus reserve RMB'000 (note c(ii))	Properties revaluation reserve RMB'000 (note c(iii))	Translation reserve RMB'000 (note c(iv))	Retained earnings RMB'000	Total RMB'000
At 1 January 2011	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
Total comprehensive income for the year, net of tax	—	(49)	3,345	—	96,936	100,232
At 31 December 2012	8,586	69,370	106,226	1,080	763,560	948,822

31. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(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. 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:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Within one year	8,661	2,080	5,685	1,306
Later than one year but no later than five years	6,744	211	4,238	155
	15,405	2,291	9,923	1,461

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32. 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:

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Within one year	11,615	13,103	8,324	9,860
Later than one year but no later than five years	7,903	8,914	4,367	5,729
	19,518	22,017	12,691	15,589

33. CAPITAL COMMITMENTS

	2012		2011	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Authorised but not contracted for:				
— construction of buildings and properties under development	249,002	221,900	821,597	294,037
Contracted but not provided for:				
— Capital contribution to a subsidiary	—	—	—	240,083
— Construction of buildings and properties under development	299,641	77,304	282,290	135,457
	299,641	77,304	282,290	375,540
	548,643	299,204	1,103,887	669,577

34. 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 RMB3,663,759 (2011: RMB3,664,000) 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 RMB1,896,244 (2011: 1,422,000) was paid to a related company controlled by the ultimate holding company. The rental was calculated with reference to market rate.
- (d) The non-controlling interests of Wuxi SHIOC International Outsourcing Industry Development Company Limited (the "Wuxi Company") was held by spouse of an executive director.

On 12 November 2012, the Group entered into an agreement with the non-controlling shareholder of acquiring the 49% equity interest of the Wuxi Company at the consideration of RMB319,000,000. The details are set out in Note 38 of these financial statements.

(e) Compensation of key management personnel

The emoluments of directors and the senior management during the year was as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	1,279	1,262
Contributions to retirement benefits schemes	54	55
	1,333	1,317

The emoluments paid or payable to the directors and the senior management were within the following bands:

	2012 No. of individuals	2011 No. of individuals
Nil to HK\$1,000,000	15	15

35. 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 payable 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:

	2012 RMB	2011 RMB
Debt	2,236,954	1,446,967
Cash and bank balances	(1,550,317)	(1,160,462)
Net debt	686,637	286,505
Equity	1,427,969	1,303,446
Net debt to equity ratio	48%	22%

36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's 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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Credit risk (continued)**

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 8% and 20% (2011: 14% and 36%) 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.

(b) Liquidity risk

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

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

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012						
Bank borrowings	1,594,980	1,756,788	975,813	258,004	522,971	—
Trade payables	199,729	199,729	199,729	—	—	—
Bills payable	2,632	2,632	2,632	—	—	—
Other payables, accruals and receipts in advance	439,613	439,613	439,613	—	—	—
	2,236,954	2,398,762	1,617,787	258,004	522,971	—
2011						
Bank borrowings	1,011,873	1,174,120	565,153	218,302	390,665	—
Trade payables	133,486	133,486	133,486	—	—	—
Bills payable	258	258	258	—	—	—
Other payables, accruals and receipts in advance	301,350	301,350	301,350	—	—	—
	1,446,967	1,609,214	1,000,247	218,302	390,665	—

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Liquidity risk (continued)***Company*

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012						
Bank borrowings	1,594,980	1,756,788	975,813	258,004	522,971	—
Bills payable	2,632	2,632	2,632	—	—	—
Trade payables	75,020	75,020	75,020	—	—	—
Other payables, accruals and receipts in advance	187,765	175,455	175,455	—	—	—
Amounts due to subsidiaries	660,492	660,492	660,492	—	—	—
	2,520,889	2,670,387	1,889,412	258,004	522,971	—
2011						
Bank borrowings	984,873	1,146,213	537,246	218,302	390,665	—
Trade payables	59,394	59,394	59,394	—	—	—
Other payables, accruals and receipts in advance	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	—

(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 2012, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year, retained profits by RMB10,348,000 (2011: RMB2,338,000).

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 2011.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)**(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 2012 and 2011.

37. 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 2012 and 2011 may be categorised as follows:

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	1,819,041	1,377,842
Financial liabilities		
Financial liabilities measured at amortised cost	2,070,493	1,364,464

38. EVENTS AFTER THE REPORTING DATE

- (a) On 12 November 2012, the Company entered into an agreement with Lhasa Feng Shui Long Investment Development Company Limited, the non-controlling shareholder of Wuxi SHIOC International Outsourcing Industry Development Company Limited ("Wuxi Company"), pursuant to which the Company conditionally agreed to acquire the remaining 49% equity interest in Wuxi Company, at a consideration of RMB319,000,000. Wuxi Company will become a wholly owned subsidiary of the Company immediately after the completion of acquisition. Details are disclosed in the Company's announcement dated 10 December 2012.

The acquisition was approved at the extraordinary general meeting held on 30 January 2013.

- (b) On 13 March 2013, the Company entered into the land grant contract with the Kunshan Land and Resources Bureau in which the Company agreed to acquire the land use rights of a parcel of land located in Kunshan Municipality, Jiangsu Province, the PRC at the consideration of RMB244,623,126. The details of this acquisition are disclosed in the Company's announcement dated 21 March 2013.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2013.

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

Properties under development	Approximate gross floor area (square metres)	Nature of property	Interest attributable to the Group	Lease term
A parcel of land located at West of Jianghong Road and North of Binkang Road (Block no: 07-002-027-00003) Bin Jiang District Hangzhou City Zhejiang Province The People's Republic of China	17,120	Industrial	100%	Medium term lease
A parcel of land located at South of Weisan Road (Block no: 3205831112190004000) Huaqiao Town Kunshan City Jiangsu Province The People's Republic of China	9,584	Commercial	100%	Medium term lease

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

Financial year		Year ended 31 December				
		2012	2011	2010	2009	2008
Revenue	RMB'000	1,161,761	1,111,049	1,277,182	1,191,698	1,211,090
Gross Profit	RMB'000	190,796	227,858	219,267	250,334	303,421
Gross Margin	%	16.42	20.51	17.17	21.01	25.05
Profit for the year	RMB'000	94,698	88,393	38,501	62,783	97,223
Net Margin	%	8.15	7.96	3.01	5.27	8.03
Basic Earnings Per Share (Note)	RMB	0.076	0.076	0.047	0.063	0.092
Net cash (used in)/generated from operations	RMB'000	(14,590)	89,518	262,603	117,507	186,994
Trade Receivables Turnover	Days	79	62	45	39	43
Dividend per Share	RMB	—	—	—	—	—

FINANCIAL POSITION

Financial year		As at 31 December				
		2012	2011	2010	2009	2008
Total Assets	RMB'000	3,792,018	2,861,369	2,535,653	3,032,598	2,784,857
Total Liabilities	RMB'000	2,364,049	1,557,923	1,336,865	1,597,974	1,418,344
Total Time Deposits and Cash and Cash Balances	RMB'000	1,550,317	1,160,462	1,279,692	1,317,366	1,024,017
Shareholders' Funds	RMB'000	1,427,969	1,303,446	1,198,788	1,434,624	1,366,513
Net Assets per Share	RMB	1.158	1.057	0.972	1.163	1.108

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 RMB93,453,000 (2011: RMB93,535,000) and the 1,233,144,000 (2011: 1,233,144,000) ordinary shares in issue during the year.