ANNUAL REPORT 2013

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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New Factory Plant and Office Building in Guangming District

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Executive Directors

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

Independent non-executive directors

Ling Chun Kwok
Dai Lin Ying
Wang Zhao Hui
An Jian

SUPERVISORS

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

COMPLIANCE OFFICER

Zhu Jun

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen *CPA, FAIA*

AUTHORIZED REPRESENTATIVES

Chen Zhi Lie
Tsui Chun Kuen *CPA, FAIA*

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LIAISON OFFICE IN HONG KONG

Unit No. 1619
16th Floor, Star House
3 Salisbury Road
Tsimshatsui
Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited Certified Public Accountants
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

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

LEGAL ADVISER TO THE COMPANY

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

COMPANY HOMEPAGE/WEBSITE

http://www.evoc.com

STOCK CODE

2308

Corporate Background

EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM (the "GEM") of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the GEM to the Main Board (the "Main Board") of the Stock Exchange on 12 July 2010. The Company and its subsidiaries ("Group") are principally engaged in the research, development, manufacture and distribution of Special Computer (formerly known as Advanced Process Automation ("APA")) products, trading of electronic products and accessories, and development of properties in the PRC. As at 31 December 2013, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB3.9 billion.

The Group is one of the leading domestic manufacturers of Special Computer products in the PRC. Special Computer 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. Special Computer 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 Special Computer products, which can be broadly classified by their distinctive functions and features into three categories, chassis-type Special Computer products, board-type Special Computer products and remote data modules.

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

Research and Development Building in Guangming District

Rail Transit Solution

Wind Power Automation Control Solution

Oil Industrial Solution

Chairman's Statement

Chen Zhi Lie
Chairman

TO OUR SHAREHOLDERS,

On behalf of the Board of directors, I am pleased to present the annual report of EVOC Intelligent Technology Company Limited and its subsidiaries ("our Company" or the "Company") for the year ended 31 December 2013 (the "Year") to our shareholders.

The Company engages in research, development, manufacture and sale of Special Computer (formerly known as Advanced Process Automation ("APA")) products since 1993 with a 20-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 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.

RESULT OF THE YEAR

The Group recorded a turnover of RMB1,814.8 million and a profit for the year of RMB48.4 million for the year ended 31 December 2013. The Group's core business and production were stable with slightly decrease in its profit margin ratio as compared with that of last year due to increase in trading business of electronic communication products with comparatively lower margin. The Group's attribute to the owners of the Company was approximately RMB49.0 million. The decrease was mainly attribute from impairment loss of approximately RMB56.0 million on properties held for sales (underground car parking space properties in Wuxi) and income tax expense increased to approximately RMB36.0 million. 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.

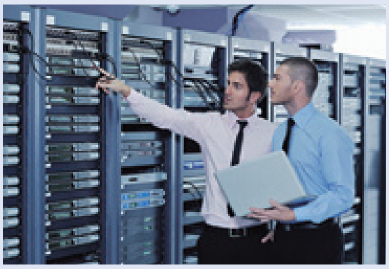
BUSINESS REVIEW

During the period under review, the Company continued to engage in the research, development, manufacturing and sale of Special Computer products in China, and worked unswervingly to upgrade and transform Chinese traditional industries to facilitate their development by using information technology, artificial intelligence, digitalization and automation.

The Company became the world's first premium partner with Microsoft in the embedded technology field since the end of 2011, and 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 Special Computer industry. The Company has been approved to establish "National Research and Develop Center of Special Computer Engineering Technology" (國家特種計算機工程技術研究中心) which is featured with uniqueness and exclusiveness in the industry, meaning that the Company becomes the sole support organization for the National Research and Develop Center of Special Computer Engineering Technology. 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 Special Computer enterprise in China. The trademark enhanced the international influence for the "EVOC" brand of the Company, and the effective protection of its proprietary intellectual property rights and trademark brands, thereby significantly enhancing its overall competitive edges.

In the year of 2013, the international environment was still severely complicated. The recovery of global economy was generally slowdown and the growth of Chinese economy was moderately declined with an entrance into a new stage of structural transformation. Considering the new market environment, the


New Energy Solution


Networking Solution


Power Remote Monitoring Solution


Police in Highway traffic monitoring Solution

Company put forward a strategy of efficiency-first to sail for the goal of becoming a "long-lasting company". During the period under review, the Company reorganized internal management structure and procedure by introducing a reliable management system in order to lower the expenditure as well as improve the working efficiency, thus leading the business into an orderly and reasonable development; at the same time, the Company newly added two sales teams "new path (including telesales/on-line sales)" and "channel department (sales of dealers)", constituting three big channels together with the direct sales team, which changed the original single sales mode, realized a close connection with multi-channels. As a result, the sales effort was significantly enhanced and the capacity of market competitiveness was highly strengthened.

During the period, Wuxi service sub-contracting base project of the Company went well, currently, part property development projects in Wuxi have been completed and begin to be sold and rented, and bringing substantial revenue for the Company. Upon the completion of Wuxi service sub-contracting project, the Company will utilize 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.

RESEARCH & DEVELOPMENT

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". During the period under review, the Company built a reliable management centre in research & development centre and imported the sound management platform and system. Such system, after continuous testing and improvement, has passed inspection and applied in project management. The reliable management system can be applied to assess the product's reliability in advance, detect the potential default product in design in timely manner, and thus provide assistances for the engineer concerned in analyzing problem, tracing reasons and taking countermeasures so as to improve the reliability of the products. Moreover, such system can also create reliability-design report in standard form to satisfy the various needs of manager of research & development department and project manager as well as the customers.

During the period, our research & development centre established technical project and research team to study the common problems and technologies on the applications involved in the product and industry. The team has successively carried out such researches on specific technologies as module design, automated testing, serial protection, standard serial driver analysis. The relevant patents have been applied in this regard. Meanwhile, the Company was also approved to establish "Guangdong Key Laboratory of Industry Control System & Information Security Technology Enterprises" (廣東省工業控制系統信息安全技術企業重點實驗室), and was responsible for the third batch of special project in new-generation information technology industry planned by Development and Innovation Committee of Shenzhen in 2013. During the period under review, the Company focused on the research and development of new products, including:

1. ATX series of server whole machine. This product is a high performance-to-price ration product which serves the high performance-to-price ration servers market as streaming media server, center management sever, alarm sever, sever management host machine, telecom network security and defense management system, large and comprehensive production MES system sever, data storage sever of security & defense and monitor. This product can be widely used in IT & communication industry, industrial automation, security & defense and monitor industry and inspections industry.

2. Unify dispatching desk whole machine. This product is specially designed for the unify far-end data server dispatching desk system which is able to replace the existing separate machine to customer's and realize functions of voice dispatching, communication record, inquiry information on GPS position and immediate track. It is mainly applied in controlling host machinery of interphone dispatching desk as forest alarm (森林警察), public transit (bus, taxi and so on), firemen alarm (消防警察) (such as "smart helmet"), property management.

3. Main network application platform. This product is specially designed for equipment hardware platform market in the field of network security, which is a new product for main network application platform that serves the middle hardware platform in the traditional network security (traditional firewall, gatekeeper and VPN) and application network security (next-generation firewall and application delivery). It has a higher performance-to-price ration and the special function deployment on main target customers, which serves network security industry that can be wildly used for firewall, VPN, application delivery and behavior management in internet.

4. Third generation of new conception industrial personal computer. This product can easily realize field operation interaction, and is equipped with global original EPX reinforce system bus technology and negative pressure four-dimensional balanced shock absorption technology, which can reduce the failure rate of complete machine by over 98% and can be extensively used in areas such as industrial production device, automatic control/inspection system, rail transportation, intelligent transportation, security supervision, communication device, medical device, environment protection and new energy resource.

5. New generation of direction system host machinery. Following the opening of subway/high-speed rail routes in main cities, as an important system of passenger service, the direction system increasingly draws the attention of operators. Vehicle equipments, closely related to the operation security, are extremely strict to the liability of the products. This product is the first train PIS system vehicle host machinery fully compliant with the European EN50155 certification in China, and it can work stably in the complicated magnetic environment of vehicles. This product is designed for the rail transportation industry, the highly liable connection and various application interfaces can meet the needs of operation site; and extended warehouse with multiple application modes is in line with the development of media system; massive data storage is fully adapt to the high-definition video environment; and the special rail power which can be easily maintained let the machine shut down automatically upon disconnection.

6. High-end main-board. This product mainly serves middle and high end market which is able to be used for the main control equipments in high-end market such as radar, electronic countermeasures and ship-bone display and control console.

During the period under review, the construction of the Company's Special Computer R&D/interim testing base in Shenzhen was completed smoothly and commenced operation gradually within 2013, which will be used mainly for the production, R&D and terminal testing of the software and hardware of Special Computer 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 Special Computer products in three series and solutions tailored for a number of industries. The Special Computer products manufactured and sold by us are widely applied in railway transportation, coal mine safety, environmental protection, communications, commerce, industrial sector, finance, energy, military, video frequency control and internet.

The Company persistently operated thorough marketing strategies, direct sales, agents and new sales model (online sales and telesales) which formed the three main sales models. As compared to the past, the Company further expanded the range of market coverage of authorized dealers and has selectively developed over 200 authorized dealers in China, and training of techniques and operation provided to these authorized dealers resulted in enhancement of their technical strength. As internet became as the main information obtaining channel, the Company took internet as the main marketing channel during the period under review. Leveraging by main search engine platforms, the Company had precisely targeted customers, fully demonstrated its brand as well as the latest product technology and industrial solutions to target customers, meanwhile, the Company also conducted brand communication and interaction through the newly medias, such as microblog and wechat. Meanwhile, the telesales model of the Company has matured, the call marketing center could promptly respond to the customers' demands and the "ecall" telesales system has perfectly connected to the online sales platform.

During the period, the Company formally launched the first Special Computer e-mall of China, "SHOP. EVOC.CN", which started the first real B to B e-commerce platform in the Special Computer industry. "SHOP. EVOC.CN" is positioned to provide one-stop shopping service of evoc products for customers. Customers could directly place their orders at "SHOP. EVOC.CN" with fast and efficient experience. "SHOP. EVOC.CN" will balance its online development by relying on the well-developed supplying management system, various off-line marketing channels, national wide branches and inventories. The success of "SHOP. EVOC.CN" will effectively solve the problem of increased labour costs and difficulties in management as a result of the expansion of the Company, meanwhile, through which will enhance the response efficiency of technological service before and after sales and enable the Company to capture the demands of the market immediately, thus make our products more competitive.

The Company focused on the intensification of industry influence and brand strategies by spreading technological innovation results for recent 20 years and brand advantages to industry customers via various forms such as holding new technical city seminars, online exchange meetings, and VIP customer visiting. We also enhanced our cooperative interaction with industry media through marketing channels of emerging industries exploited by media resource. During the period under review, the Company participated in the following exhibitions and technical exchange meetings:

1. The Company jointly organized five "2013 EVOC Innovation Technology Events and 20th Anniversary Gratitude Event" with the theme of "20 Years of Innovation Make Life Intelligent" (創新20年成就智能生活) with Intel, Microsoft, instrumentation and automation society, automatic information, xbgk, etc. in Beijing, Shanghai, Shenzhen, Chengdu, Xi'an, and carried out interaction and technology exchange with over 1000 nationwide customers from areas such as automation, war industry, railway, intelligent transportation and internet. The Company firstly released new products which represent the latest technology including third generation of new conception industrial personal computer, new generation of direction system host machinery, industrial server, flight information display host machinery, and invited some industry experts and leaders to share industry state and trend. By all of above, the Company communicated deeply with new and old customers, advanced customer relationship and strengthened the public awareness of EVOC brand.

2. In respect of intelligent transportation industry, the Company took part in the "2013 Beijing International Exhibition on Operation and Equipment of City Rail Transportation Construction" (2013北京國際城市軌道交通建設運營及裝備展覽會), on the exhibition, the Company focused on the display of whole solution of "evoc" on the level of line, station and train in rail transportation industry, which stuck out the diversified development idea and whole technology edge of "evoc" on the rail transportation industry products. This exhibition comprehensively displayed the product advantage of the Company in the area of rail transportation. During the same period, as a premium sponsor, the Company attended 2013 international forum on city rail transportation development and the annual Board meeting of Research on City Rail Transportation (《城市軌道交通研究》)

organized by Tongji University to exchange ideas on industry technology development with 200 nationwide famous experts, device manufacturers and system integration companies from the rail transportation area. On the meeting, the Company showed the achievements of "evoc" for recent 20 years on the area of subway, high-speed rail, which lay a solid foundation for further expanding the market of rail transportation industry.

3. As one of organizers, the company held the "8th China Embedded Technology Application Summit" (第8屆中國嵌入式技術應用高峰論壇) and discussed the future development of embedded technology industry together with famous upstream and downstream manufacturers from various industries including chip, internet security device and industrial software of embedded technology area, which provided a good communication platform for optimizing the cooperation between upstream and downstream manufacturers and between manufacturers and colleges, enhanced the function of "evoc" as the industry leader.

OUTLOOK AND PROSPECT

Facing the new economical situation, Chinese government will put the main point of policy adjustment on expansion of domestic demand, and to realize the structure adjustment by large scale of technology innovation. In respect of expanding investment demand, railway investment, municipal infrastructure construction, Broadband China, 4G construction as well as energy conservation and environment protection are the main investment projects clearly mentioned by the Chinese government recently. As to the adjustment of industrial structure, Chinese government will 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.

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. During the period for Twelfth Five-Year Plan, it is expected that China's Special Computer industry will usher in the evolvement of important strategic opportunities, and it will become a pillar industry of national economy.

Our Special Computer 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 will probably encounter another golden era of development. In 2013, the Company was approved to establish National Research and Develop Center of Special Computer Engineering Technology, it will support continually the development in the industry, as well as enhance our state's core competence in high-end equipment field as rail transportation, ship-bone and aerospace, and the productivity for a state in key equipments through conducting important research in key technology. As a national platform, the center plays a role of connecting upstream and downstream industry, which is able to promote the realization on R&D achievements and drive on rapid development of upstream and downstream industry by integrating industry resources. The Company will take this as an opportunity to undertake pre-research on new areas by concentrating and integrating superior resources such as technology, device and facility. Meanwhile, the Company will adjust and control the production capacity of the original products based in market situation, 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 utilize 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 Special Computer in China.

APPRECIATION

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

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 31 March 2014

Management Discussion and Analysis

TURNOVER

For the year ended 31 December 2013, the Group's reported a total revenue of RMB1,815 million (2012: RMB1,162 million) representing an increase of approximately 56.2%, analysed by product category as follows:

Turnover by product category

Sales of Products	2013 RMB'000	2012 RMB'000	Change Percentage
Board-type products	116,412	227,876	–48.9%
Chassis-type products	285,736	369,217	–22.6%
Remote data modules	4,518	7,095	–36.3%
Special Computer products	406,666	604,188	–32.7%
Auxiliary services business	314,763	557,573	–43.5%
Trading of electronic communication products	969,635	—	N/A
Properties development	123,716	—	N/A
Total	1,814,780	1,161,761	+56.2%

Cost of sales

Cost of sales increased 58.1% from approximately RMB971 million in 2012 to approximately RMB1,535 million in 2013. The increase was mainly due to increase the price of raw materials and labour costs.

Gross Profit Margin

The gross profit margin for the period was approximately 15.4%, representing an approximately 1% decrease as compared to the previous year.

The decrease in gross profit margin was mainly due to lower profit margin trading business increased.

Other Income

Other income decrease from approximately RMB95 million in 2012 to approximately RMB91 million in 2013 was mainly due to decrease of bank interest receipts.

Selling & Distribution costs

The selling and distribution costs slightly decreased 6.1% from approximately RMB49 million in 2012 to approximately RMB46 million in 2013 due to decrease in advertising cost.

Administrative Expenses

The administrative expenses increase 15.9% from approximately RMB44 million in 2012 to approximately RMB51 million in 2013 due to increase of staff welfare expenses.

Research & Development costs

The research and development costs increased 15.6% from approximately RMB45 million in 2012 to approximately RMB52 million in 2013 due to increased in material parts consumables.

Increase in fair value of Investment properties

During the period, the Group recorded an increase in fair value of investment properties of approximately RMB3.5 million, representing a decrease of 31.2% as compared to last year. The main decrease in fair value of investment property is at Shenzhen area.

Impairment loss on properties held for sales

During the period, the Group recorded an impairment loss of approximately RMB56 million on the underground car parking space properties in Wuxi. The fair value of investment properties based on a professional valuation of an independent valuer, American Appraisal China Limited.

Finance Costs

Finance costs increased 59.2% from approximately RMB49 million in 2012 to approximately RMB78 million in 2013 mainly due to increase in bank borrowings.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company decreased from approximately RMB93 million in 2012 to approximately RMB49 million in 2013, representing a decrease of approximately 47.3%. The net profit margin has been decrease from 8.2% to 2.7%.

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 2013, the Group's gearing ratio had increased to 69.5% (calculated on the basis of the Group's total liabilities over total assets) from 62.3% as at 31 December 2012. At the year end date the Group's total bank borrowings amounted to approximately RMB1,664 million (2012: RMB1,595 million). The Group's cash and bank balances as at 31 December 2013 has decreased to approximately RMB804 million (2012: RMB1,550 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decrease to 1.46 as at 31 December 2013 (2012: 1.80).

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 2013.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had capital commitment authorised but not contracted for and contracted but not provided for were approximately RMB0.5 million (2012: RMB249.0 million) and RMB282.6 million (2012: RMB299.6 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.

PLEDGE OF ASSETS

At 31 December 2013, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments, construction in progress, properties under development and properties held for sale with a total carrying amount of approximately RMB1,303.9 million (2012: RMB997.3 million) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had total workforce of 1,070 (2012: 1,308). Employee benefit during the year were approximately RMB84 million.

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

Directors, Supervisors and Senior Management's Profile

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 50, 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 26 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). In 2012, Mr. Chen was elected as the President of the Commerce Association of Technology Equipment Industry under the All-China Federation of Industry & Commerce, the primary legal representative and the vice-chairman (vice-president) of the Guangdong Federation of Industry and Commerce (General Commerce Association).

Tso Cheng Shun (曹成生), aged 85, 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 52, 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 52 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 and a fellow member of the Association of Chartered Certified Accountants. Mr. Ling has over 23 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 50, 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 21 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 Ole Lifestyle Center of China Resources Vanguard Company Limited.

Wang Zhao Hui (王昭輝), aged 45 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 19 years of experience in marketing and corporate management. He is currently executive director and general manager of Shenzhen HYP Industries Limited (深圳市恒盈普泰實業有限公司).

An Jian (安健), aged 45, 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 20 years of experience in practicing PRC law. He has worked in the legal system division of Shenzhen Public Security Bureau (深圳市公安局法制處) in 1993, and is currently a senior partner of De Heng Law Offices (德恒律師事務所).

SUPERVISORS

Pu Jing (濮靜), aged 48, 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 23 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 43, 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 22 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 38, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He has over 17 years of experience in management and administration.

Wen Bing (聞冰), aged 52, 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 27 years of experience in computer engineering and had held various senior positions in state-owned enterprises and transnational corporation. He is currently an executive director and the general manager of ETechsoft Co., Ltd. (深圳市欣軼天科技有限公司) as well as the general manager and chief technical officer of Televoice China (Shenzhen) Limited (聲訊亞洲中國公司).

Dong Lixin (董立新), aged 54, 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 63, 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 25 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 40, is the general manager and is the head of research and development department of the Company. He joined the Company since 1999 and has served as software engineer, BIOS engineers, software manager, departmental head of technology R & D and vice president. He took up the general manager duties in 2012. 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 20 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 47, the assistant general manager of the Company. He obtained a bachelor degree in wireless electronics technology from Chongqing University (重慶大學) in the PRC in 1988. He is in charge of the quality control and production functions of the Company. He has over 19 years of experience in the quality control of electronic products. He joined the Company in July 1999.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of Special Computer products, trading of electronic products and accessories, and development of properties in the PRC. Details of the principal activities of the subsidiaries are set out in note 18 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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 95.

The Board of directors recommended the payment of final dividend RMB0.015 per share for the year ended 31 December 2013 (2012: RMB0.01 per share).

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 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 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 2013, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB833 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 68.6% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 53.4% of the Group's revenue for the year. 51.5% 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 18.1% 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 2013.

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 2013, 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:

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

2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. 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 Interest of spouse	70.5% 29.5%
Wang Rong (王蓉)	EVOC Hi-Tech. Holding Group Co., Ltd.	Beneficial owner Interest of spouse	29.5% 70.5%

Note: Ms. Wang Rong (王蓉) is the spouse of Mr. Chen 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 2013, 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:

1. Mr. Chen is the beneficial owner of 70.5% interests in EVOC Hi-Tech. Holding Group Co., Ltd. (formerly known as Shenzhen Yanxiang Wangke Industry Co., Ltd.) and is deemed to be interested in the Domestic Shares owned by EVOC Hi-Tech. Holding Group Co., Ltd. pursuant to Part XV of the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of EVOC Hi-Tech. Holding Group Co., Ltd..

2. These Domestic Shares are held by Shenzhen Haoxuntong Industry Co. Ltd. which is owned as to 100% by Mr. Chen. 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 2013, 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 2013, 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 Ordinance).

SHARE OPTION SCHEME

Up to 31 December 2013, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealing and the code of conduct for directors' securities transactions during the year ended 31 December 2013.

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 2013, 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.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period of review, the Group acquired land use rights in Kunshan, the PRC, of approximately RMB245 million.

The Group had completed the 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 million on 30 January 2013.

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, 31 March 2014

Corporate Social Responsibility

Holding the corporate purpose of "honesty and peace, long-lasting operation", EVOC endeavors to combine its development with more extensive social responsibility to realize the harmony and unity of corporate benefit and social objective. The Company cooperates with stakeholders and industrial value chain to jointly create a harmonious ecological environment suitable for growth and development of the Company and all other parties.

CARING ABOUT OUR STAFF

Talents are the most precious resources of the Company. The Company carried out the talent strategy of "people-oriented" and establishes a series of mechanism to introduce, cultivate, utilize and stimulate talents. The Company strictly complies with related laws and regulations, keeps an eye and attaches importance to the interests of our staff; provides equal chances to all employees. The Company also offers training and clear career development channel to help staff on their own growth; improves staff's ability and pays attention to the customers' comments; enhances the efficiency of human resource and endeavors to achieve a win-win situation for customers, shareholders, staff and society.

STAKEHOLDERS

The Company operates with philosophy of honesty and win-win, actively builds a friendly cooperative relationship of mutual supports and benefits with stakeholders, seriously performs the cooperative contract and establishes efficient communication mechanism; reinforces to construct long-term and stable cooperative relationship with excellent partners, strives to obtain a common development for the Company and business partners.

GREEN ENVIRONMENTAL PROTECTION

The Company has established complete environment management system, injects more capital on research and development of energy-saving and green products and on planning and improvement of the corporate and surrounding environment. The Company also takes measures to constantly reduce the impact on environment brought along by production to build an energy-saving and environment-friendly enterprise, create a green environmental protection industry and offer high-efficiency, energy-saving and environment-friendly solutions for the social development.

The wastewater monitoring system of the large- and middle-scale hospitals, wastewater monitoring system of urban life, industrial dust, monitoring system of gas pollution source and monitoring products on the water quality of rivers developed independently by the Company can inspect the pollution release more rapidly and accurately and are well applied.

CHARITY

The Company did not ignore to return society during the development of recent 20 years and actively performed the corporate social responsibility. The Company persisted in actively taking part in the social charity career activities in various ways including initiating poverty alleviation by transfusing blood, leading the desertification control activity in Alxa, participating in charity auction of "Tong Meng Yuan" (童夢園), donating the Tibetan bland schools, caring the Water Cellar for Mothers, supporting areas hit by a devastating earthquake, caring ocean environment, helping to construct Motuo Kindergarten (墨脱幼稚園), supporting Dui Long Ga Chong Primary School (堆龍嘎沖小學) of Tibet and Li Min Da Gong Zi Di Primary School (利民打工子弟小學) of Beijing, and supporting the charity career of Yanbian and Ningxia.

1. Since 1999, the Company has been supporting poor areas with technology in respect of young students who are not admitted to a college because of poverty in areas such as Xinyuan County in Heyuan City of Guangdong province, Wuzhou of Guangxi, Lankao County of Henan. The Company recruits more than ten poor students

from above areas to the production base to have a technology training every year, after professional training and work, those students went back to their hometown and drove the local automation and information construction, some of them became main strength of the scientific research on local information.

2. On 12 May 2008, M8 massive earthquake struck Wenchuan county of Sichuan. Facing the disaster of stricken area, the Company rapidly launched disaster relieving and supporting plan. Besides, the Company implemented the directional supporting work for employees of earthquake stricken area and their relatives to deliver our care to people in stricken area.

3. In 2008, the Company donated RMB300,000 to the project of "Love for the Earth, Water Cellar for Mothers" (大地之愛、母親水窖) carried out by CWDF, supported the construction of central water supply project in Panjia village, Baishui county, Weinan city, Shaanxi province. After less than one year of time, the Company kindly constructed a water tower together with local Women's Federation and Ministry of Water Resources for over 3000 rural families with water problem, which terminated the situation of water problem lasting for over 800 years and played a positive role on improving people's life and developing the local economy.

4. In 2013, responding to the Company's advocacy, around one hundred workers jointed the volunteers group of Shenzhen. As the vice president of CSPGP, our Chairman Mr. Chen Zhilie actively took part in the charity project of "2013 Journey of Glorious Career and Gratitude in respect of Donation" (關於捐贈資助2013年光彩行、感恩行) organized by CSPGP, participated in the donation activities in Yanji of Jilin, Liu'an of Anhui, Tibet, Yan'an, etc.

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 2013 to 31 December 2013.

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 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 2013 to 31 December 2013, 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 Directors 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 Mr. Chen Zhi Lie and Mr. 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 2013. 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 *(Chairman)*	4/4	—	—	1/1
Tso Cheng Shun	4/4	—	—	—
Zhu Jun	4/4	—	1/1	—
Independent non-executive directors:				
Ling Chun Kwok	4/4	2/2	—	—
Dai Lin Ying	4/4	—	—	1/1
Wang Zhao Hui	4/4	2/2	1/1	1/1
An Jian	4/4	2/2	1/1	—

BOARD COMMITTEES

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

REMUNERATION 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 2013.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 10 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 on 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 2013.

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 RMB1,124,000 (2012: RMB851,000). 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.

SHAREHOLDER'S RIGHTS

Shareholders' Right to Propose Resolutions at General Meeting

Pursuant to Article 8.06 of the Articles of Association of the Company, shareholders holding more than five percent (including 5%) of the total voting shares of the Company are entitled to propose to the Company any new resolutions in writing, provided such resolution shall be submitted to the Company at least ninety days before convening the annual general meeting. The Company shall include, in the agenda of such meeting, those proposed matters which are within the terms of reference of the general meeting.

Shareholders' Right to Convene an Extraordinary General Meeting ("EGM") or Class Meeting of the Shareholders ("Class Meeting")

Pursuant to the Article 8.25 of the Articles of Association of the Company, two or more shareholders holding more than one-tenth (including 10%) of the voting shares at the meeting proposed to be held may, by signing one written request or several counterparts of same stating the subject matter of the meeting, require the Board of Directors to convene an extraordinary general meeting of shareholders or a class meeting of shareholders. Upon receipt of the foregoing written request(s), the Board of Directors shall proceed to do so as soon as possible accordingly. The foregoing number of voting shares referred to shall be calculated as at the date of the delivery of the written request(s);

If the Board of Directors fails to issue a notice of convening such a meeting within thirty days from the date of the receipt of the foregoing written request(s), the shareholders who have made the request may themselves convene such a meeting in a procedure as far as possible same as that of such meetings to be convened by the Board of Directors, within four months from the date of receipt of such request(s) by the board. Any reasonable expenses incurred by the shareholders for convening and holding the meeting by reason of the failure of the Board of Directors to duly convene a meeting according to the foregoing request for holding the meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

Communication with the Board

Shareholders are encouraged to maintain direct communication with the Board. Shareholders who have any questions for the Board may send their enquiries by letter or fax to the attention of the Company Secretary at Unit No. 1619, 16th Floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong, China. Fax no. 852-23757238.

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. Our corporate website www.evoc.com contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group which enable shareholders and investors to have timely and updated information of the Group.

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, 31 March 2014

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF 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 33 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013 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, 7 April 2014

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
Turnover	7	**1,814,780**	1,161,761
Cost of sales		**(1,534,983)**	(970,965)
Gross profit		**279,797**	190,796
Other income	7	**91,279**	95,325
Selling and distribution costs		**(45,584)**	(48,534)
Administrative expenses		**(50,778)**	(43,966)
Other operating expenses		**(60,182)**	(53,797)
Fair value gain on investment properties		**3,458**	5,026
Impairment loss on properties held for sale		**(55,824)**	—
Finance costs	8	**(78,025)**	(49,477)
Profit before income tax	9	**84,141**	95,373
Income tax expense	11(a)	**(35,737)**	(675)
Profit for the year		**48,404**	94,698
Other comprehensive income, after tax			
Items that will not be classified to profit or loss			
Surplus on revaluation of land and buildings	15 & 29	**31,401**	29,874
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**229**	—
Other comprehensive income for the year, net of tax		**31,630**	29,874
Total comprehensive income for the year		**80,034**	124,572
Profit attributable to:			
— Owners of the Company		**48,980**	93,453
— Non-controlling interests		**(576)**	1,245
		48,404	94,698
Total comprehensive income attributable to:			
— Owners of the Company		**80,610**	110,468
— Non-controlling interests		**(576)**	14,104
		80,034	124,572
Earnings per share — Basic and diluted (RMB)	14	**0.040**	0.076

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**850,167**	774,913
Investment properties	16	**263,693**	119,033
Prepaid land lease payments	17	**47,598**	76,074
Deferred tax assets	29	**28,981**	16,196
Total non-current assets		**1,190,439**	986,216
Current assets			
Inventories	19	**33,569**	39,712
Properties under development	20	**905,576**	917,384
Properties held for sale	21	**503,781**	—
Prepaid land lease payments	17	**1,020**	1,673
Trade receivables	22	**63,746**	203,942
Bills receivable	22	**34,396**	49,554
Other receivables, deposits and prepayments	23	**317,989**	42,041
Income tax recoverable		**—**	1,179
Cash and bank balances	25	**804,102**	1,550,317
Total current assets		**2,664,179**	2,805,802
Current liabilities			
Trade payables	26	**155,988**	199,729
Bills payable	26	**4,389**	2,632
Other payables, accruals and receipts in advance	27	**683,738**	439,613
Bank borrowings	28	**935,000**	906,000
Income tax payable		**43,277**	13,582
Total current liabilities		**1,822,392**	1,561,556
Net current assets		**841,787**	1,244,246
Total assets less current liabilities		**2,032,226**	2,230,462
Non-current liabilities			
Bank borrowings	28	**729,000**	688,980
Deferred tax liabilities	29	**126,344**	113,513
Total non-current liabilities		**855,344**	802,493
NET ASSETS		**1,176,882**	1,427,969

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(a)	**1,053,568**	961,161
Equity attributable to owners of the Company		**1,176,882**	1,084,475
Non-controlling interests	32	**—**	343,494
TOTAL EQUITY		**1,176,882**	1,427,969

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**808,029**	691,246
Investment properties	16	**227,765**	125,433
Prepaid land lease payments	17	**4,885**	56,183
Investments in subsidiaries	18	**1,082,043**	530,143
Deferred tax assets	29	**905**	907
Total non-current assets		**2,123,627**	1,403,912
Current assets			
Inventories	19	**39,132**	38,416
Prepaid land lease payments	17	**126**	1,263
Trade receivables	22	**34,698**	33,107
Bills receivable	22	**22,207**	16,197
Other receivables, deposits and prepayments	23	**247,287**	19,578
Amounts due from subsidiaries	24	**549,048**	651,709
Cash and bank balances	25	**661,225**	1,476,859
Total current assets		**1,553,723**	2,237,129
Current liabilities			
Trade payables	26	**139,291**	75,020
Bills payable	26	**4,389**	2,632
Other payables, accruals and receipts in advance	27	**287,115**	187,765
Amounts due to subsidiaries	24	**451,144**	660,492
Bank borrowings	28	**870,000**	906,000
Income tax payable		**11,159**	5,017
Total current liabilities		**1,763,098**	1,836,926
Net current (liabilities)/assets		**(209,375)**	400,203
Total assets less current liabilities		**1,914,252**	1,804,115
Non-current liabilities			
Bank borrowings	28	**684,000**	688,980
Deferred tax liabilities	29	**57,658**	42,999
Total non-current liabilities		**741,658**	731,979
NET ASSETS		**1,172,594**	1,072,136

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(b)	**1,049,280**	948,822
TOTAL EQUITY		**1,172,594**	1,072,136

On behalf of the Board

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(c)(i))	Statutory surplus reserve RMB'000 (Note 31(c)(ii))	Properties revaluation reserve RMB'000 (Note 31(c)(iii))	Translation reserve RMB'000 (Note 31(c)(iv))	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	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
Profit for the year	**—**	**—**	**—**	**—**	**—**	**48,980**	**48,980**	**(576)**	**48,404**
Other comprehensive income for the year	**—**	**—**	**—**	**31,401**	**229**	**—**	**31,630**	**—**	**31,630**
Total comprehensive income for the year	**—**	**—**	**—**	**31,401**	**229**	**48,980**	**80,610**	**(576)**	**80,034**
Acquisition of additional interests in a subsidiary	**—**	**—**	**—**	**—**	**—**	**23,918**	**23,918**	**(342,918)**	**(319,000)**
Dividend approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**(12,011)**	**(12,011)**	**—**	**(12,011)**
Other	**—**	**—**	**(110)**	**—**	**—**	**—**	**(110)**	**—**	**(110)**
Balance at 31 December 2013	**123,314**	**8,586**	**78,442**	**151,081**	**1,289**	**814,170**	**1,176,882**	**—**	**1,176,882**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RMB'000	2012 RMB'000
Cash flows from operating activities		
Profit before income tax	**84,141**	95,373
Adjustments for:		
Depreciation and amortisation	**19,230**	23,839
Interest expenses	**77,557**	49,193
Impairment loss on trade receivables	**6,683**	1,484
Impairment loss on properties held for sale	**55,824**	—
(Gain)/loss on disposal of property, plant and equipment	**(3)**	743
Fair value gain on investment properties	**(3,458)**	(5,026)
(Reversal of impairment)/impairment loss on inventories	**(3,046)**	5,709
Interest income	**(24,542)**	(39,222)
Operating profit before working capital changes	**212,386**	132,093
Increase in other payables, accruals and receipts in advance	**244,125**	138,262
Decrease in inventories	**9,189**	15,521
Increase in properties under development	**(532,332)**	(289,580)
(Decrease)/increase in trade payables	**(43,741)**	66,243
Increase in bills payable	**1,757**	2,374
Increase in other receivables, deposits and prepayments	**(275,948)**	(6,030)
Decrease/(increase) in trade receivables	**133,513**	(62,384)
Decrease/(increase) in bills receivable	**15,158**	(982)
Cash used in operations	**(235,893)**	(4,483)
Income tax paid	**(13,837)**	(10,107)
Net cash used in operating activities	**(249,730)**	(14,590)
Cash flows from investing activities		
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	**800,000**	(245,000)
Purchase of property, plant and equipment	**(147,171)**	(148,719)
(Increase)/decrease in pledged bank balances	**(5,103)**	5,854
Decrease/(increase) in restricted bank deposit	**494**	(1,757)
Prepayment of land lease payments	**(36,052)**	(20,429)
Proceeds from disposal of property, plant and equipment	**1,515**	457
Interest received	**24,542**	39,222
Net cash generated from/(used in) investing activities	**638,225**	(370,372)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		**(925,500)**	(479,000)
Interest paid		**(77,557)**	(49,193)
Proceeds from new bank borrowings		**994,520**	1,062,107
Acquisition of additional interests in a subsidiary		**(319,000)**	—
Dividend paid to owners of the company		**(12,011)**	—
Net cash (used in)/generated from financing activities		**(339,548)**	533,914
Net increase in cash and cash equivalents		**48,947**	148,952
Cash and cash equivalents at beginning of year		**374,332**	225,380
Effect of foreign exchange rate changes		**229**	—
Cash and cash equivalents at end of year	25	**423,508**	374,332

1. GENERAL

EVOC Intelligent Technology Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is located at EVOC Technology Building, No 31 Gaoxinzhongsi Avenue, Nanshan District, Shenzhen, the PRC. At 31 December 2013, 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 Special Computer (formerly known as Advanced Process Automation ("APA")) products, trading of electronic products and accessories, and development of properties in the PRC. The principal activities of the subsidiaries are set out in Note 18 to the consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

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.

HKFRSs (Amendments) — Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) — Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

HKFRSs Amendment — Annual Improvements 2011-2013 Cycle

The Basis of Conclusions to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards was amended to clarify that a first-time adopter is allowed, but not required, to apply a new HKFRS that is not mandatory if that HKFRS permits early application and provided that HKFRS is applied in all periods presented unless HKFRS 1 provides on exemption or exception. The adoption of the amendments has no impact on these financial statements as the Group is not a first-time adopter of HKFRS.

Amendments to HKAS1 (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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

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.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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)

(a) Adoption of new/revised HKFRSs — effective 1 January 2013 (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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 4(b)).

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures 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 12 disclosures are provided in note 18. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 15 and 16. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

HKAS 19 (2011) — Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

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

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

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.

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) — 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.

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent charges to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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 land and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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 land and buildings 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

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

Land and 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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(iii) Financial liabilities (continued)

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 contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derecognition

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

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

(i) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Properties under development and held for sale

Properties under development and held for sale 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 normal 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

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) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) 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.

(iii) Termination benefits

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

(o) Impairment of other assets

At the end of each reporting period, the Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of other assets (continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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)

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

Classification between investment properties and owner-occupied buildings

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(b) Key sources of estimation uncertainty

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

Estimated impairment of lease prepayments and construction in progress

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

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

(b) Key sources of estimation uncertainty (continued)

Estimated impairment loss on trade and other receivables

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

Revaluation of investment properties and land and buildings

In determining the fair values of investment properties and land 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 Special Computer products and trading of electronic products and accessories

— Property development

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

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2013

	Special Computer products and electronic products & accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	**1,691,064**	**123,716**	**1,814,780**
Reportable segment profit/(loss)	**152,731**	**(82,834)**	**69,897**
Interest income	**24,505**	**37**	**24,542**
Depreciation and amortisation	**(16,513)**	**(2,717)**	**(19,230)**
Impairment loss on trade receivables	**(6,683)**	**—**	**(6,683)**
Reversal of impairment loss on inventories	**3,046**	**—**	**3,046**
Impairment loss on properties held for sale	**—**	**(55,824)**	**(55,824)**
Reportable segment assets	**1,601,537**	**1,603,825**	**3,205,362**
Additions to non-current assets	**187,355**	**48,177**	**235,532**
Reportable segment liabilities	**(1,366,027)**	**(458,088)**	**(1,824,115)**

For the year ended 31 December 2012

	Special Computer products and electronic products & 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)

6. SEGMENT INFORMATION (CONTINUED)

Notes:

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

	2013 RMB'000	2012 RMB'000
Customer A	**969,635**	N/A
Customer B	**232,581**	N/A

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

	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**1,814,780**	1,161,761

	2013 RMB'000	2012 RMB'000
Profit before income tax		
Reportable segment profit	**69,897**	48,198
Other income	**91,279**	95,325
Fair value gain on investment properties	**3,458**	5,026
Unallocated corporate expenses	**(2,468)**	(3,699)
Finance costs	**(78,025)**	(49,477)
Profit before income tax	**84,141**	95,373

	2013 RMB'000	2012 RMB'000
Assets		
Reportable segment assets	**3,205,362**	3,070,755
Income tax recoverable	**—**	1,179
Deferred tax assets	**28,981**	16,196
Unallocated corporate assets	**620,275**	703,888
Consolidated total assets	**3,854,618**	3,792,018

6. SEGMENT INFORMATION (CONTINUED)

Notes: (continued)

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

	2013 RMB'000	2012 RMB'000
Liabilities		
Reportable segment liabilities	1,824,115	1,941,974
Bank borrowings	684,000	294,980
Deferred tax liabilities	126,344	113,513
Tax payables	43,277	13,582
Consolidated total liabilities	2,677,736	2,364,049

(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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Hong Kong	—	5	—	—
PRC (place of domicile)	1,814,780	1,161,756	1,161,458	970,020
	1,814,780	1,161,761	1,161,458	970,020

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.

	2013 RMB'000	2012 RMB'000
Turnover		
Sales of Special Computer products	**406,666**	604,188
Sales of electronic products and accessories	**1,284,398**	557,573
Sales of properties	**123,716**	—
	1,814,780	1,161,761
Other income		
Bank interest income	**24,542**	39,222
Value-added tax ("VAT") concessions (note (a))	**10,777**	10,207
Gross rentals from investment properties	**50,644**	36,999
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	**(10,799)**	(11,783)
	39,845	25,216
Government subsidies (note (b))	**9,493**	11,928
Sub-contracting income	**539**	1,175
Sundry income	**6,083**	7,577
	91,279	95,325
	1,906,059	1,257,086

(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. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	**112,423**	98,229
Less: Interest capitalised	**(34,866)**	(49,036)
	77,557	49,193
Bank charges	**468**	284
	78,025	49,477

9. PROFIT BEFORE INCOME TAX

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

	2013 RMB'000	2012 RMB'000
Auditor's remuneration	**1,124**	851
Cost of inventories recognised as an expense (note (a))	**1,466,693**	970,965
Cost of properties recognised as an expense	**68,290**	—
Depreciation of property, plant and equipment	**18,203**	22,448
Amortisation of prepaid land lease payments	**1,027**	1,391
Foreign exchange difference, net	**401**	2
(Gain)/loss on disposal of property, plant and equipment	**(3)**	743
Impairment loss on trade receivables	**6,683**	1,484
(Reversal of impairment)/impairment loss on inventories	**(3,046)**	5,709
Impairment loss on properties held for sale	**55,824**	—
Minimum lease payments under operating leases	**8,117**	9,714
Research and development costs (note (b))	**52,386**	45,461
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	**77,029**	81,202
Contributions to retirement benefits schemes	**6,841**	6,669
	83,870	87,871

Notes:

(a) Cost of inventories sold includes staff costs and depreciation of RMB25,397,000 (2012: RMB26,351,000) and RMB4,697,000 (2012: RMB5,730,000) 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 RMB1,747,000 (2012: RMB3,413,000).

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

The emoluments paid or payable to directors are as follows:

	2013 RMB'000	2012 RMB'000
Fees	**66**	66
Other emoluments:		
Salaries, allowances and benefits in kind	**336**	306
Contributions to retirement benefits schemes	**16**	16
	352	322
	418	388

(a) Independent non-executive directors

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

	2013 RMB'000	2012 RMB'000
Mr An Jian	**12**	12
Ms Dai Lin Ying	**12**	12
Mr Ling Chun Kwok	**30**	30
Mr Wang Zhao Hui	**12**	12
	66	66

There were no other emoluments payable to the independent non-executive directors during the reporting period (2012: Nil).

10. 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	Salaries, allowances and benefits in kind	Contributions to retirement benefits schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2013				
Mr Chen Zhi Lie	**—**	**150**	**8**	**158**
Mr Tso Cheng Shun	**—**	**30**	**—**	**30**
Mr Zhu Jun	**—**	**156**	**8**	**164**
	—	**336**	**16**	**352**
2012				
Mr Chen Zhi Lie	—	120	8	128
Mr Tso Cheng Shun	—	30	—	30
Mr Zhu Jun	—	156	8	164
	—	306	16	322

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

(c) Supervisors

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

	Salaries, allowances and benefits in kind	Contributions to retirement benefits schemes	Total
	RMB'000	RMB'000	RMB'000
2013			
Ms Pu Jing	**123**	**7**	**130**
Mr Zhan Guo Nian	**92**	**5**	**97**
Mr Zhang Zheng An	**20**	**—**	**20**
Mr Dong Lixin	**12**	**—**	**12**
Mr Wen Bing	**12**	**—**	**12**
	259	**12**	**271**
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

(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 (2012: 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 (2012: two). The emoluments of the remaining three (2012: three) individuals, during the reporting period were as follows:

	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**706**	646
Contributions to retirement benefits schemes	**25**	25
	731	671

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

(e) Five highest paid individuals (continued)

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 RMB786,000) for the years ended 31 December 2013 and 2012.

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 (2012: Nil).

11. INCOME TAX EXPENSE

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

	2013 RMB'000	2012 RMB'000
Current tax — PRC		
Enterprise income tax ("EIT")	**25,451**	12,381
Land appreciation tax ("LAT")	**22,675**	—
Over-provision in respect of prior year	**(3,415)**	(3,015)
	44,711	9,366
Deferred taxation (Note 29)		
Origination and reversal of temporary differences, net	**(8,974)**	(9,204)
Change in tax rate	**—**	513
	(8,974)	(8,691)
Income tax expense	**35,737**	675

In accordance with the PRC Enterprise Income Tax Law, the PRC 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% (2012: 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.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2012: 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 2013 and 2012 as there were no estimated assessable profits arose for both years.

11. INCOME TAX EXPENSE (CONTINUED)

(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:

	2013 RMB'000	2012 RMB'000
Profit before income tax	**84,141**	95,373
Tax at applicable tax rate at 25% (2012: 25%)	**21,035**	23,843
Effect of tax exemption and reduction	**(18,351)**	(10,819)
Tax effect of LAT and other taxes for deduction	**(7,215)**	—
Tax effect of non-taxable income	**(4,437)**	(5,480)
Utilisation of tax losses and temporary differences previously not recognised	**(2,915)**	—
Tax effect of non-deductible expenses	**25,678**	4,448
Tax effect of tax losses and temporary differences not recognised	**2,682**	2,848
LAT	**22,675**	—
Recognition of tax losses and temporary differences previously not recognised	**—**	(11,663)
Over-provision in respect of prior year	**(3,415)**	(3,015)
Change in tax rate	**—**	513
Total income tax expense	**35,737**	675

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes an amount of RMB81,488,000 (2012: RMB96,936,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The Board of directors recommended the payment of final dividend RMB0.015 per share for the year ended 31 December 2013 (2012: RMB0.01).

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.

14. EARNINGS PER SHARE

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

	2013	2012
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	**48,980**	93,453
Weighted average number of domestic and H shares in issue	**1,233,144,000**	1,233,144,000
Basic earnings per share (RMB)	**0.040**	0.076

14. EARNINGS PER SHARE (CONTINUED)

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.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 1 January 2012	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
Additions	8,677	2,295	4,650	5,844	85	125,620	147,171
Transfer from prepaid land lease payments	—	—	—	—	—	52,309	52,309
Transfer from construction in progress	592,868	—	—	—	—	(592,868)	—
Transfer to investment properties (note a)	(56,465)	—	—	—	—	(84,737)	(141,202)
Transfer to properties under development	—	—	—	—	—	(3,729)	(3,729)
Disposals	—	(170)	(2,062)	(4,030)	(114)	(816)	(7,192)
Revaluation surplus	32,831	—	—	—	—	—	32,831
As at 31 December 2013	799,278	33,700	29,297	90,603	14,367	4,582	971,827
Accumulated depreciation:							
As at 1 January 2012	—	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
Charge for the year	7,589	135	3,129	7,059	291	—	18,203
Written back on disposal	—	(140)	(1,792)	(3,662)	(86)	—	(5,680)
Eliminated on revaluation	(7,589)	—	—	—	—	—	(7,589)
As at 31 December 2013	—	31,455	8,608	69,098	12,499	—	121,660
Carrying values:							
As at 31 December 2013	799,278	2,245	20,689	21,505	1,868	4,582	850,167
As at 31 December 2012	221,367	115	19,438	23,088	2,102	508,803	774,913

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 1 January 2012	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
Additions	—	2,295	4,650	5,146	—	122,172	134,263
Transfer to investment properties (note a)	(9,824)	—	—	—	—	(84,737)	(94,561)
Transfer from prepaid land lease payments	—	—	—	—	—	52,309	52,309
Transfer from construction in progress	592,868	—	—	—	—	(592,868)	—
Disposals	—	—	(2,062)	(2,779)	—	(815)	(5,656)
Revaluation surplus	35,481	—	—	—	—	—	35,481
As at 31 December 2013	765,093	33,175	29,297	83,484	12,306	—	923,355
Accumulated depreciation:							
As at 1 January 2012	—	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
Charge for the year	6,067	100	3,129	5,954	87	—	15,337
Written back on disposal	—	—	(1,792)	(2,425)	—	—	(4,217)
Eliminated on revaluation	(6,067)	—	—	—	—	—	(6,067)
As at 31 December 2013	—	30,980	8,608	64,704	11,034	—	115,326
Carrying values:							
As at 31 December 2013	765,093	2,195	20,689	18,780	1,272	—	808,029
As at 31 December 2012	146,568	—	19,438	19,942	1,359	503,939	691,246

Notes:

(a) For the year ended 31 December 2013, certain previously self-occupied properties with a total carrying amount of RMB56,465,000 and RMB9,824,000 have been leased out under operating leases by the Group and the Company respectively.

(b) The buildings held by the Group and the Company at 31 December 2013 were valued by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with HKIS Valuation Standards issued by the HKIS Hong Kong Institute of Surveyors. 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 2013 would have been RMB700,735,000 (2012: RMB75,958,000) and RMB684,982,000 (2012: RMB44,637,000) respectively.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

The fair value of land and buildings is a level 3 recurring fair value measurements using significant unobservable inputs. A reconciliation of the opening and closing fair value balance is provided below.

	2013 RMB'000
Opening balance	221,367
Depreciation charge on revaluation of properties held for own use	(7,589)
Transfer from construction in progress	592,868
Transfer to investment properties	(56,465)
Additions	8,677
Revaluation gains included in other comprehensive income	40,420
Closing balance	799,278

For land and buildings in PRC, the valuation of the land and buildings amounted to RMB29,694,000 and RMB769,584,000 was determined using, direct comparison approach and depreciated replacement cost approach respectively.

For the land and buildings used the direct comparison approach, the fair value is based on prices for recent market transactions in similar properties and adjusted to reflect the conditions and locations of the Group's properties. The most significant input into this valuation approach is price per square feet and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.

For the land and buildings used the depreciated replacement cost approach, the fair value is based on estimated new replacement cost of the buildings and other site works from which adjustments are then made to account for age, condition, and functional obsolescence, while taking into account the site formation cost and those public utilities connection charges to the properties. These adjustments are based on unobservable inputs. The key inputs are estimated cost of construction per square meter and age adjustment on the cost of buildings.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

Information about fair value measurements using significant unobservable inputs (Level3) is provided below:

Description	Fair value at 31 December 2013 (RMB'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings in PRC	29,694	Direct Comparison approach	Price per square feet ("sq.ft"), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	RMB18,200/sq.m - RMB23,759/ sq.m	Higher the price per sq.ft will result in correspondingly higher fair value.
Land and Buildings in PRC	769,584	Depreciated replacement cost approach	Estimated cost of construction per square meter ("sq.m"), taking into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use.	RMB2,306/sq.m - RMB3,935/ sq.m	Higher the estimated cost of construction per sq.m will result in correspondingly higher fair value
			Age adjustment on the cost of buildings, taking in to account of remaining useful life of buildings.	3%–16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(c) As at 31 December 2013, the Group and the Company had pledged the land and buildings with total carrying values of RMB772,702,000 and RMB765,091,000 (2012: RMB151,170,000 and RMB146,568,000) respectively to banks to secure banking facilities granted to the Group and the Company. Construction in progress at 31 December 2012 with carrying value of RMB503,939,000 was also pledged to the banking facilities.

(d) All land and buildings held by the Group and the Company buildings were located in the PRC and were held under medium term leases. Land and buildings of the Group and the Company with carrying amount of RMB772,702,000 and RMB765,091,000 (2012: RMB151,170,000 and RMB146,568,000) respectively were not freely transferable.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

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

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
At valuation	**799,278**	**—**	**—**	**—**	**—**	**—**	**799,278**
At cost	**—**	**33,700**	**29,297**	**90,603**	**14,367**	**4,582**	**172,549**
As at 31 December 2013	**799,278**	**33,700**	**29,297**	**90,603**	**14,367**	**4,582**	**971,827**
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
Company							
At valuation	**765,093**	**—**	**—**	**—**	**—**	**—**	**765,093**
At cost	**—**	**33,175**	**29,297**	**83,484**	**12,306**	**—**	**158,262**
As at 31 December 2013	**765,093**	**33,175**	**29,297**	**83,484**	**12,306**	**—**	**923,355**
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

16. INVESTMENT PROPERTIES

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Carrying amount, at fair values				
At beginning of year	**119,033**	**125,433**	95,418	101,802
Transfer from property, plant and equipment (Note 15(a))	**56,465**	**9,824**	18,589	18,208
Transfer from construction in progress	**84,737**	**84,737**	—	—
Increase in fair value	**3,458**	**7,771**	5,026	5,423
At end of year	**263,693**	**227,765**	119,033	125,433

Notes:

(a) Investment properties held by the Group and the Company at 31 December 2013 were valued by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with HKIS Valuation Standards issued by the HKIS Hong Kong Institute of Surveyors.

The fair value of investments properties is a level 3 recurring fair value measurements using significant unobservable inputs.

For the investment properties in PRC, the valuation amounted to RMB66,120,000 and RMB197,573,000 was determined using, direct comparison approach and depreciated replacement cost model respectively.

For the investment properties used the direct comparison approach, the fair value is based on prices for recent market transactions in similar properties and adjusted to reflect the conditions and locations of the Group's properties. The most significant input into this valuation approach is price per square feet and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.

For the investment properties used the depreciated replacement cost approach, the fair value is based on estimated new replacement cost of the buildings and other site works from which adjustments are then made to account for age, condition, and functional obsolescence, while taking into account the site formation cost and those public utilities connection charges to the properties. These adjustments are based on unobservable inputs. The key inputs are estimated cost of construction per square meter and age adjustment on the cost of buildings.

16. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(a) (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below:

Description	Fair value at 31 December 2013 (RMB'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in PRC	66,120	Direct Comparison approach	Price per square metre ("sq.m"), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	RMB16,250/sq.m - RMB23,759/ sq.m	Higher the price per sq.m will result in correspondingly higher fair value.
Investment properties in PRC	197,573	Depreciated replacement cost approach	Estimated cost of construction per square meter ("sq.m"), taking into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use.	RMB2,660/sq.m - RMB3,935/sq.m	Higher the estimated cost of construction per sq.m will result in correspondingly higher fair value
			Age adjustment on the cost of buildings, taking in to account of remaining useful life of buildings.	3–16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(b) 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 2013, the Group and the Company had pledged the investment properties with total carrying values of RMB202,351,000 (2012: RMB97,830,000) and RMB202,065,000 (2012: RMB102,433,000) respectively, to secure baking facilities granted to the Group and the Company.

(c) The investment properties of the Group and the Company with carrying value of RMB202,351,000 and RMB202,065,000 respectively (2012: RMB97,830,000 and RMB102,433,000) is not freely transferable.

17. PREPAID LAND LEASE PAYMENTS

	2013		2012	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Cost:				
At beginning of year	83,379	62,950	62,950	62,950
Additions	36,052	—	20,429	—
Transfer to property, plant and equipment	(56,673)	(56,673)	—	—
Transfer to properties under development	(11,945)	—	—	—
At end of year	50,813	6,277	83,379	62,950
Accumulated amortisation and impairment:				
At beginning of year	5,632	5,504	4,241	4,241
Charge for the year	1,027	126	1,391	1,263
Transfer to property, plant and equipment	(4,364)	(4,364)	—	—
Transfer to properties under development	(100)	—	—	—
At end of year	2,195	1,266	5,632	5,504
Carrying values at end of year	48,618	5,011	77,747	57,446
Less: Current portion included under current assets	(1,020)	(126)	(1,673)	(1,263)
Non-current portion	47,598	4,885	76,074	56,183

(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 Hangzhou, Zhejiang, the PRC with a carrying amount of RMB8,286,000 at 31 December 2013 (2012: RMB8,455,000) which is being held under a medium term lease with a term of 50 years commencing on 20 November 2012. 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 RMB5,011,000 at 31 December 2013 (2012: RMB5,137,000) 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) Included in leasehold land is a piece of land in Nantong, Jiangsu with a carrying amount of RMB35,320,000 at 31 December 2013 (2012: Nil) which is being held under a medium term lease with a term of 50 years commencing on 28 May 2013. 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.

(e) As at 31 December 2012 the Group and the Company had pledged prepaid land lease payments of RMB57,446,000 to secure general banking facilities granted to the Group and the Company.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RMB'000	Company 2012 RMB'000
Unlisted shares, at cost	**1,092,843**	537,443
Impairment loss	**(10,800)**	(7,300)
	1,082,043	530,143

Details of the Company's principal subsidiaries, the business structure of which were corporations, as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up registered capital	Attributable equity interests held by the Company directly	Attributable equity interests held by the Company indirectly	Principal activities
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited*	PRC	RMB6,000,000	100%	—	Research, development, manufacture and distribution of Special Computer 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
上海市研祥智能科技有限公司 Shanghai EVOC Intelligent Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development, manufacture and distribution of Special Computer 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 Special Computer 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	100%	—	Property development
昆山研祥智能科技有限公司 Kunshan EVOC Intelligent Technology Company Limited*	PRC	RMB100,000,000	90%	10%	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 Special Computer 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 Special Computer 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.

18. 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 30 January 2013, the Group acquired the remaining 49% equity interest of the Wuxi SHIOC International Outsourcing Industry Development Company Limited (the "Wuxi Company") at the consideration of RMB319,000,000. After acquisition, Wuxi SHIOC International Outsourcing Industry Development Company Limited became a wholly owned subsidiary of the Company.

19. INVENTORIES

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Raw materials	**20,123**	**20,123**	22,840	22,840
Work-in-progress	**9,460**	**9,460**	8,680	8,680
Finished goods	**12,388**	**15,031**	19,640	15,422
	41,971	**44,614**	51,160	46,942
Less: Allowance for inventories	**(8,402)**	**(5,482)**	(11,448)	(8,526)
	33,569	**39,132**	39,712	38,416

The cost of inventories recognised as an expense during the reporting period was RMB1,466,693,000 (2012: RMB970,965,000), of which RMB3,046,000 was in respect of net reversal of write-off of inventories made in prior years (2012: RMB5,709,000 was in respect of write-off of inventories).

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

20. PROPERTIES UNDER DEVELOPMENT

	2013 RMB'000	2012 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**350,050**	493,302
Capitalised interests	**29,265**	50,264
Land use rights	**526,261**	373,818
	905,576	917,384

All properties under development are located in the PRC.

The capitalisation rate of borrowings is 6.55% for the year ended 31 December 2013 (2012: 6.80%).

As at 31 December 2013, the properties under development with carrying amount of RMB327,805,000 (2012: RMB186,938,000) was pledged as collateral for the Group's borrowings (Note 28).

21. PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 years.

As at 31 December 2013, the leasehold land on which the completed properties held for sale are located were pledged as collateral for the Group's bank borrowings (note 28).

22. TRADE AND BILLS RECEIVABLES

	2013		2012	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Trade receivables (note (a))	**72,901**	**35,247**	206,414	33,762
Allowance for impairment losses (note (c))	**(9,155)**	**(549)**	(2,472)	(655)
Trade receivables, net	**63,746**	**34,698**	203,942	33,107
Bills receivable (note (d))	**34,396**	**22,207**	49,554	16,197
Total	**98,142**	**56,905**	253,496	49,304

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.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2013		2012	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	39,616	17,695	194,666	30,571
91 to 180 days	17,366	16,895	3,167	1,734
181 to 365 days	12,065	464	4,868	667
Over 1 year	3,854	193	3,713	790
Gross trade receivables	72,901	35,247	206,414	33,762

(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:

	2013		2012	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	50,290	32,054	169,070	28,717
Within 90 days past due	7,252	2,644	28,925	3,599
91 to 180 days past due	460	—	5,078	791
181 to 365 days past due	5,744	—	815	—
Over 365 days past due	—	—	54	—
Amount past due but not impaired	13,456	2,644	34,872	4,390
	63,746	34,698	203,942	33,107

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.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2013		2012	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	2,472	655	988	356
Impairment loss recognised/(reversed), net	6,683	(106)	1,484	299
At end of year	9,155	549	2,472	655

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 RMB 29,357,000 and RMB 18,531,000 (2012: RMB28,837,000 and RMB26,997,000) 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

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Other receivables	**9,970**	**8,369**	15,228	13,715
Deposits	**19,261**	**523**	7,035	3,446
Advance to suppliers	**238,395**	**238,395**	6,435	2,417
Prepayments	**50,363**	**—**	13,343	—
	317,989	**247,287**	42,041	19,578

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Amounts due from subsidiaries	**567,286**	663,874
Less: impairment loss	**(18,238)**	(12,165)
	549,048	651,709
Amounts due to subsidiaries	**(451,144)**	(660,492)

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

25. CASH AND BANK BALANCES

	2013 Group RMB'000	2013 Company RMB'000	2012 Group RMB'000	2012 Company RMB'000
Time deposits	**360,000**	**360,000**	1,160,000	1,160,000
Cash and bank balances	**442,839**	**301,225**	388,560	316,859
Restricted bank deposit	**1,263**	**—**	1,757	—
	804,102	**661,225**	1,550,317	1,476,859
Less:				
Time deposits with original maturity of more than three months when acquired (note (a))	**(360,000)**	**(360,000)**	(1,160,000)	(1,160,000)
Pledged bank balances (note (b))	**(19,331)**	**(14,155)**	(14,228)	(14,228)
Restricted bank deposit (note (c))	**(1,263)**	**—**	(1,757)	—
	(380,594)	**(374,155)**	(1,175,985)	(1,174,228)
Cash and cash equivalents	**423,508**	**287,070**	374,332	302,631

Notes:

(a) Time deposits represent deposits with banks with initial terms of maturity over three months. The effective interest rate at the end of reporting period was approximately 2.99% per annum (2012: 3.07% 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

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	**155,988**	**139,291**	199,729	75,020
Bills payable	**4,389**	**4,389**	2,632	2,632
	160,377	**143,680**	202,361	77,652

The following is the ageing analysis of trade payables:

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
0 to 90 days	**144,051**	**128,024**	195,924	72,293
91 to 180 days	**9,017**	**8,959**	637	434
181 to 365 days	**1,488**	**1,293**	841	327
Over 1 year	**1,432**	**1,015**	2,327	1,966
	155,988	**139,291**	199,729	75,020

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

27. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Construction payables	**328,419**	**100,732**	252,028	127,895
Receipts in advance from pre-sales of properties	**116,883**	**—**	113,496	—
Receipts in advance	**131,287**	**121,175**	10,589	5,211
Government grants (note)	**45,315**	**17,000**	15,207	14,730
Other payables	**30,938**	**17,782**	21,124	16,303
Other tax payables	**18,899**	**19,806**	14,544	12,300
Accruals	**11,997**	**10,620**	12,625	11,326
	683,738	**287,115**	439,613	187,765

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

	2013 Group RMB'000	2013 Company RMB'000	2012 Group RMB'000	2012 Company RMB'000
Secured bank borrowings	**1,664,000**	**1,554,000**	1,594,980	1,594,980
At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:				
On demand or within one year	**935,000**	**870,000**	906,000	906,000
After one year but within two years	**329,000**	**314,000**	210,000	210,000
After two years but within five years	**400,000**	**370,000**	478,980	478,980
	729,000	**684,000**	688,980	688,980
	1,664,000	**1,554,000**	1,594,980	1,594,980

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

	Group and Company			
	2013 Effective interest rate %	**2013 RMB'000**	2012 Effective interest rate %	2012 RMB'000
Fixed rate borrowings				
Bank borrowings	**6.3–6.9%**	**220,000**	6.62%	170,000
Floating rate borrowings				
Bank borrowings	**6.0%–7.5%**	**1,444,000**	5.76%–7.22%	1,424,980

At 31 December 2013, the secured bank borrowings and general banking facilities of the Group and the Company with carrying amount of RMB944,000,000 and RMB894,000,000 respectively (2012: RMB864,980,000) are secured by way of charge over certain assets, including building, investment properties, leasehold land under operating leases and construction in progress, together with the personal guarantees given by an executive director of the Company and related parties, including a spouse of an executive director and ultimate holding company.

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

At the end of reporting period, Group and the Company had available undrawn committed borrowing facilities of RMB50,000,000 and RMB 20,000,000 respectively (2012: RMB335,020,000) in respect of which all conditions precedent had been met.

29. DEFERRED TAXATION

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

Group

	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 2012	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**
Charged/(credited) to profit or loss	**1,732**	**734**	**2,079**	**(15,524)**	**13**	**292**	**1,700**	**(8,974)**
Charged to other comprehensive income	**—**	**—**	**9,020**	**—**	**—**	**—**	**—**	**9,020**
At 31 December 2013	**6,605**	**(1,217)**	**119,739**	**(17,081)**	**(2,095)**	**(8,588)**	**—**	**97,363**

Company

	Capitalised Interests on borrowings	Revaluation of properties	Allowance for impairment losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	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**
Charged to profit or loss	**—**	**3,523**	**423**	**3,946**
Charged to other comprehensive income	**—**	**10,715**	**—**	**10,715**
At 31 December 2013	**2,658**	**55,000**	**(905)**	**56,753**

29. DEFERRED TAXATION (CONTINUED)

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

	2013		2012	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	(28,981)	(905)	(16,196)	(907)
Deferred tax liabilities	126,344	57,658	113,513	42,999
	97,363	56,753	97,317	42,092

The Group has estimated unused tax losses arising in the PRC of RMB31,258,000 (2012: RMB29,930,000) that can be carried forward for five years and estimated unused tax losses arising in Hong Kong of RMB7,077,000 (2012: RMB7,352,000) 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:

	2013		2012	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Year of expiry				
2013	—	—	4,720	—
2014	3,709	—	4,067	—
2015	8,306	—	4,554	—
2016	4,592	—	10,089	—
2017	6,500	—	6,500	—
2018	8,151	—	—	—
	31,258	—	29,930	—

Deferred tax asset was recognised by the Group as at 31 December 2012 amounted to RMB1,700,000 regarding unused tax losses of RMB6,800,000. No deferred tax assets have been recognised for the remaining unused tax losses of RMB31,258,000 (2012: RMB23,130,000) as the availability of future taxable profits to utilise the temporary differences is not probable.

30. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
At 1 January 2012, 31 December 2012 and 2013	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 38.

(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 2012	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
Total comprehensive income for the year, net of tax	—	(110)	30,834	257	81,488	112,469
Dividend approved in respect of the pervious year	—	—	—	—	(12,011)	(12,011)
At 31 December 2013	8,586	69,260	137,060	1,337	833,037	1,049,280

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. NON-CONTROLLING INTEREST

On 30 January 2013 the Group acquired an additional 49% ownership interest in its subsidiary Wuxi SHIOC International Outsourcing Industry Development Company Limited. Following the acquisition, the Group had 100% ownership interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2013 **RMB'000**
Cash consideration	**319,000**
Net assets attributable to 49% ownership interest	**342,918**
Increase in equity attributable to owners of the Company (included in retained earnings)	**23,918**

33. OPERATING LEASE COMMITMENTS

As lessee

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

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

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Within one year	**4,546**	**211**	8,661	2,080
Less than one year but no later than five years	**2,412**	**—**	6,744	211
	6,958	**211**	15,405	2,291

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:

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Within one year	**19,118**	**19,717**	11,615	13,103
Less than one year but no later than five years	**40,993**	**41,012**	7,903	8,914
Over five years	**20,818**	**20,818**	—	—
	80,929	**81,547**	19,518	22,017

34. CAPITAL COMMITMENTS

	2013		2012	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Authorised but not contracted for:				
— construction of buildings and properties under development	**549**	**—**	249,002	221,900
Contracted but not provided for:				
— Construction of buildings and properties under development	**282,565**	**8,444**	299,641	77,304
	283,114	**8,444**	548,643	299,204

35. RELATED PARTY TRANSACTIONS

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

(a) The Company's bank borrowings are secured by, among others, corporate guarantees given by the ultimate holding company and personal guarantees given by an executive director and his spouse.

(b) Rental income of RMB1,630,000 (2012: RMB3,263,000) 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 RMB1,702,000 (2012: RMB1,896,244) 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 was held by spouse of an executive director as at 31 December 2012.

On 30 January 2013, the Group acquired the remaining 49% equity interest of the Wuxi Company from the related party at a consideration of RMB319,000,000.

(e) Compensation of key management personnel

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

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	1,041	1,279
Contributions to retirement benefits schemes	40	54
	1,081	1,333

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

	2013 No. of individuals	2012 No. of individuals
Nil to HK$1,000,000	15	15

36. CAPITAL RISK MANAGEMENT

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

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

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. For the purpose the Group defines net debts as total debt (which includes bank borrowings, trade payables, bills payables, other payables, accruals and receipts in advance), 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:

	2013	2012
	RMB'000	RMB'000
Debt	**2,508,115**	2,236,954
Cash and cash equivalents	**(804,102)**	(1,550,317)
Net debt	**1,704,013**	686,637
Equity	**1,176,882**	1,427,969
Net debt to equity ratio	**145%**	48%

37. 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.

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 0% and 2% (2012: 8% and 20%) 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

Group

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
2013						
Bank borrowings	**1,664,000**	**1,814,852**	**1,008,925**	**384,492**	**421,435**	**—**
Trade payables	**155,988**	**155,988**	**155,988**	**—**	**—**	**—**
Bills payable	**4,389**	**4,389**	**4,389**	**—**	**—**	**—**
Other payables, accruals and receipts in advance	**683,738**	**683,738**	**683,738**	**—**	**—**	**—**
	2,508,115	**2,658,967**	**1,853,040**	**384,492**	**421,435**	**—**
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	—

Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
2013						
Bank borrowings	**1,554,000**	**1,694,897**	**937,402**	**366,401**	**391,094**	**—**
Bills Payable	**4,389**	**4,389**	**4,389**	**—**	**—**	**—**
Trade payables	**139,291**	**139,291**	**139,291**	**—**	**—**	**—**
Other payables, accruals and receipts in advance	**287,115**	**287,115**	**287,115**	**—**	**—**	**—**
Amounts due to subsidiaries	**451,144**	**451,144**	**451,144**	**—**	**—**	**—**
	2,435,939	**2,576,836**	**1,819,341**	**366,401**	**391,094**	**—**
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	187,765	187,765	—	—	—
Amounts due to subsidiaries	660,492	660,492	660,492	—	—	—
	2,520,889	2,682,697	1,901,722	258,004	522,971	—

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

It is estimated that as at 31 December 2013, 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 RMB10,000,000 (2012: RMB10,348,000).

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 2012.

(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 2013 and 2012.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2013 and 2012 may be categorised as follows:

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,150,609**	1,819,041
Financial liabilities		
Financial liabilities measured at amortised cost	**2,183,734**	2,070,493

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2014.

Particulars of Properties

Location	Approximate gross floor area (square metres)	Nature of property	Interest attributable to Group	Lease term
EVOC Building No 31, Gaoxinzhong Si Road Nanshan District, Shenzhen Guangdong Province The People's Republic of China	61,757	Commercial	100%	Medium term lease
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
Business Centre, Prime New Plaza and Commercial Podium located at South of Xihu Road Northern side of Xinfang Road (Block no: 6-007-009-001 and 6-007-009-002) Wuxi City Jiangsu Province The People's Republic of China	454,733	Commercial	100%	Medium term lease
An industrial complex including Research and Development Building located at Gaoxin Technological Park District, (Block no: A508-0030) Guangming Xin Qu, Shenzhen Guangdong Province The People's Republic of China	245,482	Industrial	100%	Medium term lease

Location	Approximate gross floor area (square metres)	Nature of property	Interest attributable to Group	Lease term
The under construction development located at South of Shuangyong Road (Block no: 3205831052150001000) Dianshanhu Town Kunshan City Jiangsu Province The People's Republic of China	277,184	Commercial, business and residential	100%	Medium term lease
A parcel of land located at the Cross of Jianghong Road and 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 Economic Development Zone Kunshan City Jiangsu Province The People's Republic of China	9,584	Commercial	100%	Medium term lease
A parcel of land located at West of Zilang College (Block no: 320611008072GB12301) East of Dasheng Road Gangzha District Nantong City Jiangsu Province The People's Republic of China	91,152	Industrial	100%	Medium term lease

Financial Highlights

COMPARISON OF KEY FINANCIAL FIGURES

Financial year		2013	2012	2011	2010	2009
		Year ended 31 December				
Revenue	RMB'000	**1,814,780**	1,161,761	1,111,049	1,277,182	1,191,698
Gross Profit	RMB'000	**279,797**	190,796	227,858	219,267	250,334
Gross Margin	%	**15.42**	16.42	20.51	17.17	21.01
Profit for the year	RMB'000	**48,404**	94,698	88,393	38,501	62,783
Net Margin	%	**2.67**	8.15	7.96	3.01	5.27
Basic Earnings Per Share (Note)	RMB	**0.040**	0.076	0.076	0.047	0.063
Net cash (used in)/generated from operations	RMB'000	**(249,730)**	(14,590)	89,518	262,603	117,507
Trade Receivables Turnover	Days	**20**	79	62	45	39
Dividend per Share	RMB	**0.015**	0.01	—	—	—

FINANCIAL POSITION

Financial year		2013	2012	2011	2010	2009
		As at 31 December				
Total Assets	RMB'000	**3,854,618**	3,792,018	2,861,369	2,535,653	3,032,598
Total Liabilities	RMB'000	**2,677,736**	2,364,049	1,557,923	1,336,865	1,597,974
Total Time Deposits and Cash and Cash Balances	RMB'000	**804,102**	1,550,317	1,160,462	1,279,692	1,317,366
Shareholders' Funds	RMB'000	**1,176,882**	1,427,969	1,303,446	1,198,788	1,434,624
Net Assets per Share	RMB	**0.954**	1.158	1.057	0.972	1.163

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 RMB48,980,000 (2012: RMB93,453,000) and the 1,233,144,000 (2012: 1,233,144,000) ordinary shares in issue during the year.