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

ANNUAL REPORT 2014

** for identification purpose only*

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive directors

Ling Chun Kwok
Wen Bing
Dong Li Xin
An Jian

SUPERVISORS

Pu Jing *(Chairperson)*
Zhan Guo Nian
Zhang Zheng An
Ng Mun Hong
Kwok Ka Man

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)*
Dong Li Xin
An Jian

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

Dong Li Xin *(Chairperson)*
An Jian
Zhu Jun

MEMBERS OF THE NOMINATION COMMITTEE

Chen Zhi Lie *(Chairperson)*
Dong Li Xin
Wen Bing

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.cn

STOCK CODE

2308

EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM (the "GEM") of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the GEM to the Main Board (the "Main Board") of the Stock Exchange on 12 July 2010. The Company and its subsidiaries ("Group") are principally engaged in the research, development, manufacture and distribution of Special Computer products, trading of electronic products and accessories, and development of properties in the PRC. As at 31 December 2014, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB4.0 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 400 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 2014 (the "year") to our shareholders.

The Company engages in research, development, manufacture and sale of Special Computer products since 1993 with a 21-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.

New Energy Solution

Networking Solution

Power Remote Monitoring Solution

Police in Highway traffic monitoring Solution

ANNUAL RESULTS

In 2014, the Group recorded a turnover of RMB2,312.7 million, representing a 27.4% growth over last year. Of which sales of Special Computer was RMB350.7 million, representing a decrease of 13.8%, trading of electronic products and accessories was RMB2,009 million, representing an increase of 56.4%, while sales of properties was RMB13.0 million, representing a decrease of 89.5% as compared to previous year. Profit attributable to owners of the Company was approximately RMB119.6 million. Excluding fair value gains RMB25.8 million, core profit attributable to owner was RMB93.8 million. Core profit margin attributable to owners was 4.0%.

BUSINESS REVIEW

During the period under review, the Company continued to engage in the research, development, manufacture and sale of special computer products in the PRC. We dedicated our efforts to enhance and transform the traditional industries in the PRC, to promote the development of these industries towards the direction of information, intelligence, digitalization and automation at a faster pace, and to improve and enhance the quality of human life. The Company was also engaged in the sale of electronic products and accessories and property development business.

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 recognized 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 2014, the macroeconomic performance of the PRC maintained a steady level of economic growth and industrial output was at a stable state, however instability factors are still exist. Positive progress was attained in the adjustment of the industrial structure of the PRC during the year, coupled with continued optimization of industrial structure and record-breaking achievement in energy saving and consumption reduction. Given that the macroeconomic performance stood at high level and a number of instability factors exist, the Company seized the opportunities presented by industrial transformation. With unswerving adherence to effective strategies, and on the basis of a diversified sales model that combines direct sales, marketing, network marketing and telemarketing, we spent greater intensity of efforts on R&D investment and technological innovation, thereby reinforcing our core competitiveness. At the same time, through further upgrade of our organizational structure and adjustment of our internal working processes, we set clearer goals at various department levels, in an effort to reduce costs, raise efficiency and enhance profits per capita.

During the period, the Group carried out the construction and operation of the project of service subcontracting base in Wuxi as schedule. Upon the completion of the service sub-contracting base project of Wuxi Company, the Company will utilize some properties for its high technology research and development, manufacturing and software outsourcing business. Such move is in line with its long-term development strategy and will actively foster the development of the Company's existing business and increase new profit growth points. Besides, the remaining properties could be used for sale and lease, which will bring along stable cash flow to the Company in the future years and boost its overall revenue. The construction of "EVOC Dianshan Lake Property Base Property (研祥淀山湖產業基地項目)" in Kunshan city, Jiangsu, China, invested by the Company progressing smoothly. The location of the Dianshan Lake Property Base Project is situated in a prime location not far from Shanghai. Given the bright growth prospect of such surrounding areas, future demand for high quality and low density residential, shopping malls and hotels will remain strong. Therefore, the Company believes that the project will enhance the overall profitability of the Company and bring considerable profit upon the completion of the Project.

RESEARCH & DEVELOPMENT

During the period under review, the Company's project management was conducted through a R&D center set up at its reliability management center. With a focus on hot issues of the industry, we carried out industry surveys and technical preliminary research. In relation to hot issues of the industry and key technological breakthroughs, we launched related investigation on the industry and issued reports thereon. The reports served to provide the personnel of our R&D and product departments better understanding of the industry and form a basis and reference from which the Company's future product lines can be framed. Meanwhile, a dedicated technical presentation and research team was set up in the R&D center, devoted to conduct research on common issues and technologies of product applications and industry applications, and had applied for a number of related patents.

During the period, the Company has developed numerous projects in areas of marine electronic information, rail transit, and intelligent equipment of industry 4.0 and construction of a safe, autonomous and controllable factory control system in order to promote industrial transformation and upgrading. In the area of developing marine electronic information, we focused on launching computer system applications suitable for severe marine environment and development projects, including the application and promotion of electronic chart navigation and ship monitoring platform, the industrialization of the second generation of carrier-based integrated display control platform and the key technology research on the special computer of the central control system for unmanned ship and the remote monitoring system and their industrialization. In the area of developing basic equipment and system for the rail transit, the Company referred to the strategy of "One Belt and One Road" as our guideline and continued to make full use of our technological and market advantages in rail transit. We have mainly developed computer equipment, central control equipment, data recorders and passenger information system equipment specific to rail transit. In the area of developing the safe, autonomous and controllable industrial control system, with the homemade hardware and software as a core, we provided core technology and products for the key areas of electricity, rail transit, energy and chemical industry through continuous breakthroughs and research and development of domestication technology, technological fusion and transformation. In area of the intelligent equipment of industry 4.0, we were dedicated to developing a new generation of intelligent factory control technology and products, including the detection system based on machine vision, the fifth generation of digital equipment for factory control platform, so as to promote the whole industrial restructuring and to realize industrial transformation and upgrading.

With vigorous efforts to implement the application and demonstration of IOT technology industry, the Company has undertaken Next Generation IT Industry Special Project of 2014 Shenzhen Strategic Emerging Industry Development Special Funds under the Economy, Trade and Information Commission of Shenzhen Municipality (industrial wireless sensor network series equipment research & development and application demonstration for the smelting industry) and special projects under 2014 IOT Development Special under MIIT (Development and Application of IOT-based Intelligent Magnesite Smelting Management System). In addition, we secured 863 Projects, one Shenzhen technology development project, one major technological breakthrough project of Shenzhen (research and development of control platform for the digital equipment industry) and one Shenzhen 2014 major project of future industry development special fund for the marine industry (new ship navigation system and ship intelligent management platform). In the meantime, the Company received 2013 Outstanding Contribution Award for Quality in Shenzhen, with the Special Computer Key Technology Research & Development and Industrialization Project wining the first prize of Guangdong 2014 Science and Technology Award and the Airborne Special Computer and Key Technologies Project wining the second prize of Shenzhen 2014 Scientific and Technological Invention Award.

From January to December 2014, the Company focused on the R&D of the following new products, including:

1. **"慧視機器" Vision Inspection System**

   While increasing product quality inspection tasks are involved in the course of modern industrial automation production, in usual cases, these tasks cannot be accomplished with a high degree of repeatability and intelligence on a continuous, stable basis by human manually due to the limitation of their own capacity and capability. The Company has launched 慧視機器 vision inspection system, which is an intelligent testing device designed for liquid crystal display production on automation sites. The device is a precision machine vision recognition system integrating optical, mechanical, electrical and automation technologies. These products, which are structured on highly integrated optical imaging systems, new automatic transmission device and modular overall unit systems, are effective in detecting defects in LCD screens down the generations. They are featured by their flexibility, high detection efficiency, short detection time, high precision, user-friendly operation of software control modules, low system running vibration, little noise, attractive rack appearance, as well as anti-oil, anti-dust surface.

2. **Industrial Server of High Performance**

   This set of server is mainly designed to meet the demands of high performance computing, mass storage, extension of high performance GPU and extension of special customers' full-height voice card, full-height video card and other full-height business cards. It is an industrial server product of high performance, strong extension ability, high integration density, full functions and specialty. Perfect configuration and clear market orientation give this product line strong market competitiveness. This product is mainly applied in big data, cloud computing, voice and video services, security surveillance industry, industrial automation, detection industry and IT industry and so on.

3. **Domestic Complete Machine**

   This product, a domestic complete machine designed for the Company's domestic work strategy, is especially for the power sector and future digital substation. It adopted the solution for Loongson platform and integrated fixed-point processor, floating-point processor, streaming media processing and graph and image processing functions as well as supporting chipset function such as South Bridge and North Bridge inside. This product can be widely used in remote terminal unit management of substation, dispatching communication supervisor of smart power grids and metro PSCADA and metro FEP.

4. **Next Generation Embedded Industrial PC of High Performance**

   This product can not only meet the demand for application of the mass storage system (such as DVR) in general industrial area, but also can be used in situations where high performance processing capability is needed. It can be widely used in security monitoring system for banks, IBMS, ISMS, ITMS and machine vision industry.

5. **Advanced Industrial Controller**

   With a huge number of embedded applications, a great amount of technology platforms, rising personalized demand for customized applications and swift changes in technology evolvement — which are known as "growth in three aspects and change in one aspect", there are duplication in technology development, variance in standards, poor inheritance of technology, high costs of application and R&D, long duration of life cycle and serious waste of resources. As such, it is essential for us to create a platform that can perform reconstruction on the basis of different applications, build a layer that is compatible with different hardware architectures, put in place a software layer that provides standardized function modules and establish SDK application development environment as well, in order to enable us to structure customer applications in rapid, cost-effective manner. The advanced industrial control products introduced by the Company are special computers based on brand new architectures that are designed for the said purposes, and can be widely used in a wide range of applications.

6. **New Platform Motherboard**

   The Company's new platform motherboard products, featured by high performance and low power consumption, can be used in military, automation and electricity.

7. **Railway Special PIS Series Computer Products**

   With the increasing demand from customers for railway PIS products in terms of features, processing performance, product quality plus product testing standards, the existing PIS product design can no longer meet the ever-growing demand from customers. To this end, the Company has rolled out an entire array of special railway PIS computer products. With these products, solutions can be quickly achieved without industry applications. These products can be widely used in railway PIS systems, including the applications on vehicles such as the metro, suburban railway, high-speed rail, common rail, and so on.

   The special computer R&D/pilot base built by the Company in Shenzhen, China (currently known as "研祥智谷") was put into full operation. 研祥智谷 is mainly used for the production, R&D and end test of hardware and software of automation products. It enables us to comprehensively improve our efficiency, shorten R&D cycle and expand production scale, thus bolstering our overall competitive edge. Following the complete relocation of our manufacturing center to 研祥智谷, our production activities have resumed to usual operation. We fulfilled all the production orders obtained by the Company on time and the achievement and both order and quality achievement indexes enhanced greatly when compared to that of last year. On the premise of delivery and quality assurance, various measures have been adopted by the manufacture center to substantially reduce the production cost, which made our products more competitive and provided a guarantee for profit increase for the Company. Meanwhile, given reduced rental costs as a result of the use of our self-owned property and lower labor costs as a result of higher degree of automation, we reaped bigger net profits. Along with significant improvement in the standards of the production, living and supporting facilities of 研祥智谷 (EVOC Intelligence Valley), we have created better working and living conditions, which are conducive to the sense of belonging and stability of our employees, which, in turn, ensured the Company's sustainable and stable development of the Company.

The Company was much honored to be granted "2013 Annual Investment Contribution Award, Shenzhen Guangming New District" by China Shenzhen Guangming New District Party Committee and Management Committee, in recognition of the completion and commission of EVOC Intelligence Valley, making a move to contribute our part to the construction and development of Guangming New District.

During the period, the Company launched 2014 University Cradle Project, themed on "brilliant success for 90s new pillars, in pace with EVOC", under which an "Embedded technology laboratory" was set up by the Company in joint force with Beijing University of Chemical Technology, Northeastern University and Hebei University of Science and Technology. The laboratory is used for carrying out teaching and research experiments related to electrical and electronic disciplines, with a view to assisting young students in pursuing for achievements in academic field and scientific practice. As a player with a leading niche in the special computer industry, we have been well-served by our continued emphasis on long-held values of a blended integration of industry, academia and research. We have now successively cemented cordial cooperation with a couple of well-known institutions like Beijing University of Aeronautics and Astronautics, Beijing University of Technology, Tibet University and Xi'an Jiaotong University. Through multiple ways, for instance, the setting up of embedded technology joint laboratories on a partnership basis and the launching of student internship programs, we tied up tighter collaboration with universities in the spectrums of industry, academia and research. Through reinforcement of resources integration, we flourished the innovative development of special computers in the horizons of electronics science and technology, electrical engineering, microelectronics, information and communication engineering, automation science and technology, as well as computer science and technology.

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.

We remained committed to a multi-facet marketing model based on three main kinds of marketing methods, namely direct marketing, distribution and new channels (internet sales and telephone sales). In relation to direct marketing, it has transited from pure sales to market-oriented approach, whereby our commerce department was responsible for handling large customers, enhancing the strength of managers about the industry. Based on market research, the operation of the industry was dealt with by a dedicated team of industry managers, product managers and sales engineers. For dealers, we took "direct marketing approach of dealer management" based on flat distribution rather than sales agents. In connection with key customers, we adopted direct marketing management. We provided dealer training and counseling services, and required dealers to greatly enhance their technical strength through installed capacity certification and services certification. The launch of a dealer cloud platform was expected to offer functions such as real-time order placements and data query, thus sharply reducing labor costs. Intensified efforts were made on telephone sales model. Client resources not yet shipped within a certain period must be released, thus leading to internal competition.

In light of notable changes in the prevailing external marketing landscape, network economy and fans economy played an increasing part in the mainstream. During the period under review, the Company remained focusing on enhancing brand influence and reputation among younger age groups (85s youngsters), sticking to a marketing philosophy targeting on 85s youngsters and network marketing. We were more determined than ever to step up endeavors on network marketing and expansion of network coverage. Also, we made an attempt to fortify our marketing on social media with widespread popularity among young people, such as placement of advertisements on WeChat, Tencent Space, QQ Chat Window as well as mainstream video sites. On the front of seminars, our focus was placed on a diverse variety of forms including industry thematic seminars, network seminars and media interviews. While we cut the placement of advertisements on print media in the industry, we increased the promotion on search engines like Baidu, Google and Sogou, which was a reflection of the shift of the forms of advertising from traditional channels to entertainment-led basis. In respect of the marketing operation model, it has shifted from the previous open-loop marketing to the current closed-loop marketing cored on the promotion of sales. In relation to the marketing sector, we continued to reinforce our investment in industries including rail traffic, network security and high-end manufacturing.

"EVOC Commerce Mall" (研祥商城), the first-of-its-kind high-end automation branded electronic mall built by the Company with first-mover initiative, was in highly efficient operation. Being an one-of-a-kind B2B e-commerce platform with indispensable significance in the high-end automation industry, "EVOC Commerce Mall" (研祥商城) was positioned as a platform offering users with one-stop purchasing services related to EVOC products. During the period under review, through a wide array of monthly activities for "EVOC Commerce Mall" (研祥商城), online and offline interaction, provision of specific products via network and differentiation of products, we achieved promising results. In view of the smooth progress of "EVOC Commerce Mall" (研祥商城), we were well-positioned to effectively address the rise in labor costs and the ever-higher degree of difficulty of management along with our business expansion. In addition, we raised the efficiency of feedbacks to pre-sale and after-sale technical services. Furthermore, we captured market demand with our time-to-market capabilities, thereby lifting up the competitiveness of our products.

During the period, the Company hosted and participated in the following marketing activities:

1. We participated in the first high-tech outcome exhibition for private enterprises jointly organized by the PLA General Armament Department, the Ministry of Industry and Information Technology, the National Defense Science and Industry Bureau and the National Federation.

2. In the eastern, southern and northern regions, we conducted a series of door-to-door recommendation seminars in respect of industry benchmark enterprises and research institutes. We launched promotion campaigns and collected data relating to customers' demand on the basis of their own needs. By offering customers access to door-to-door exclusive services with definite goals and strong positioning, our recommendation received well recognition from customers.

3. Partnering with China Industrial Network, we organized the "Westward Industrial Server" network seminar. At the conference, the background of the birth of industrial servers, technology advantages and industrial applications were illustrated while several hot topics such as the frequent incidents of cyber espionage and national bans on the purchase of server products from foreign countries were discussed. Through this exchange seminar, participants' understanding of industry servers has been greatly improved.

4. In Shenzhen, China, we held "fresh impetus, bright future" — 2014 EVOC global strategic dealers' marketing summit for the year, at which we shared views with and bridged communication with distributors as well as concluded the achievements and issues relating to market exploration during the first half of the year, paving a solid path for the growth of the market for the second half of the year.

5. Teaming up with search engines including Baidu and Google in the aspect of promotion, we continued to enhance EVOC's brand exposure. Through promotional initiatives of "EVOC Commerce Mall" (研祥商城) and activities of WeChat, the loyalty of potential users was heightened.

6. We established a stronger sales team. Through progressive training, we enhanced the technological level as well as the market research and analysis capability and operational capacity of our sales force. By expanding our team of middle, senior sales engineers, we transformed our direct marketing team members into market-oriented sales elites consisting of "consultants", so as to enhance our competitiveness in the market.

7. Setting up a brand-new EVOC official micro-blog platform enables users to enjoy various services offered by EVOC very conveniently at the mobile terminal and creates a marketing channel for the mobile terminal. The EVOC Commerce Mall is revised and upgraded in order to push forward a mall service platform that can further improve experience and viscosity of users.

OUTLOOK AND PROSPECT

According to the "12th Five-year plan for high-end equipment manufacturing industry", sales target for high-end equipment manufacturing industry in China will be over RMB6 trillion, representing 15% of the sales income from the equipment manufacturing industry with an industrial added value rate of 28%. Such target represents significant increase in the international market share. According to a report recently issued by MIIT CCID Institute, in 2014, the cumulative growth rate of the added value of the equipment industry of the PRC was increasing constantly, with a steady rise and favorable turnaround in the growth rate of the export value. There was also a robust demand for intelligent manufacturing equipment. As per the report, the equipment industry of the PRC will pick up broad-based growth momentum, while the industries relating to industrial robots (quotes, interrogation), service robotics, intelligent equipment such as 3D printing device, rail transportation equipment as well as energy-saving and environmentally-friendly equipment will show a rapid growth trend. As noted from the report, in 2014, with increasing urbanization and accelerated pace of the development of "smart cities", the construction of a number of infrastructure including railways, subways, highways and water supply facilities will be speeded up, adding new vitality to the development of the equipment manufacturing industry during the second half of the year. The industries related to the development of urbanization and the construction of "smart cities" — such as engineering machinery, elevators, urban rail equipment, smart grids, networking equipment and agricultural machinery will be blessed with relatively high speed growth. With the rise in labor costs, the upgrade of industrial structure and the accelerated breakthroughs in smart homes, intelligent equipment such as industrial robots, service robots, 3D printing and wearable devices will become new growth points of the industry. In particular, driven by the further implementation of the policy relating to "machine substitutes manual operation" across the country, the industrial robotics industry will further grow at faster speed.

As the country calls for immediate solution to the current issue of information security, information security is the very essence at the national level. Along with the localization of the manufacture of information security equipment at accelerated pace, the related policy is expected to be put into force this year. We envisage that the policy will exert more far-reaching impact on the industry. The industry is going to follow an apparent trend where high-quality resources will be integrated at accelerated speed, and where higher degree of concentration of market will be gradually accounted for by information security players with relatively stronger strength. According to statistical data, the information security market in the PRC has a size of around RMB20 billion, which is set to bring more promising market and development opportunities for the Company.

Over the year, given that the approval of rail transit projects has been granted by the national ministries rather than the provincial authorities, rail transit construction is turning into another boom cycle. As reflected from the relevant statistics from the National Development and Reform Commission, up to now, rail transit construction in 36 cities over the country has been approved, and construction works are already underway. With the latest submission of construction projects by four cities including Nantong, Luoyang, Jinan and Huhhot, the number of cities with rail transit construction in progress across the country is expected to increase to 40, with a total mileage under construction of nearly 4,000 kilometers. According to estimates, during the three years prior to the "12th Five Year" Plan, the accumulated investment in urban rail transit construction to be completed over the country amounts to RMB570 billion, of which an investment of RMB260 billion is planned to be completed this year. An investment amount of over RMB1 trillion is anticipated to be completed during the entire period of the "12th Five Year" Plan.

To sum up, in future, in view of impressive growth in demand for special computers from the domestic market and increasing activeness of the market of cloud computing platform-based services, big data will enter into an application phase. As industry upgrades have added new stimulus to the advanced manufacturing market, the Company will capture the opportunities in the market by leveraging on its leading edge in terms of brand and quality of special computers, thus achieving business growth by taking advantage of the opportunities arising from the demand for localization of manufacture and intelligent manufacture. We will remain focusing on rail transportation, information security, environmental protection equipment, electrical equipment and construction machinery. By offering a full array of high-end network products, we will meet the demand for network information security. With a focus on tactic customers, we will target on high-end market. Meanwhile, boasting on the growth opportunities arising from the automation equipment demand lured by the growth of the cloud computing/big data market and industrial upgrade, we will expand our business scale and profitability. By taking advantage of vision equipment as the first domestic one, opportunity of increasing demand for automation equipment caused by industrial upgrading is created. Attention is mainly on industrial robots, electronics manufacturing and automobile industry. Product strategy for embedded machine and tablet PC is adjusted to better meet the demand of equipment growth. The major focus is fixed on traffic (rail transit, expressway and airport) and environmental protection industry (smoke, water and desulfurization).

Looking forward, leveraging on our competitive advantages and resources, the Company will uphold our strategy of self owned branding and technological innovation, in order to enhance our core competitiveness, thereby confirming and staying in the leading position in the high-end automation application and development fields in the PRC.

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, 30 March 2015

TURNOVER

For the year ended 31 December 2014, the Group's reported a total revenue of approximately RMB2,312.7 million (2013: approximately RMB1,814.8 million) representing an increase of approximately 27.4%, analysed by product category as follows:

	2014 RMB'000	2013 RMB'000	Change percentage
Turnover			
Sales of Special Computer products	**350,686**	406,666	–13.8%
Sales of electronic products and accessories	**2,009,011**	1,284,398	+56.4%
Sales of properties	**13,030**	123,716	–89.5%
Less: Sales returns of properties sold	**(60,025)**	—	—
	2,312,702	1,814,780	+27.4%

Cost of sales

Cost of sales for the period increased to approximately RMB2,072.7 million, represents an increase of approximately 35.0% as compared to previous year. The increase was mainly driven by the corresponding increase indirect labour and raw material costs.

Gross Profit and Gross Profit Margin

The gross profit for the period approximately RMB240.0 million, representing a decrease of approximately 14.2% as compared with the previous year.

Gross profit margin for the period decreased to approximately 5.0 percentage points to approximately 10.4%. The decrease of gross profit margin was mainly due to lower profit margin trading in electronic products and accessories business.

Other Income

Other income for the period slightly increased from approximately RMB91.3 million in 2013 to approximately RMB92.2 million in 2014.

Selling & Distribution costs

The selling and distribution costs decreased 5.5% from approximately RMB45.6 million in 2013 to approximately RMB43.1 million in 2014 due to decrease staff headcounts.

Administrative Expenses

The administrative expenses decreased 12.7% from approximately RMB50.8 million in 2013 to approximately RMB44.3 million in 2014 due to decrease of staff headcounts.

Research & Development costs

The research and development costs increased 10.7% from approximately RMB52.4 million in 2013 to approximately RMB58.0 million in 2014 due to increase in material parts consumables and staff salary expenses.

Increase in fair value of Investment properties

During the period, the Group recorded an increase in fair value of investment properties of approximately RMB24.7 million, representing an increase of approximately 6.1 times as compared to last year. The main increase in fair value of investment property is at Shenzhen area.

Finance Costs
Finance costs slightly decreased 2.4% from approximately RMB78.0 million in 2013 to approximately RMB76.2 million in 2014 mainly due to decrease in bank borrowings.

Income tax expenses
Income tax expenses decreased 81.8% from approximately RMB35.7 million in 2013 to approximately RMB6.5 million in 2014. The decrease was mainly due to reversal in response to return of property sold.

Profit Attributable to Owners of the Company
The Group's profit attributable to owners of the Company increased from approximately RMB49.0 million in 2013 to approximately RMB119.6 million in 2014, representing an increase of approximately 144.1%. The net profit margin has been increase from 2.7% to 5.2%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE
The Group generally finances its operation with internally resourced and banking facilities generally by bankers in the PRC. As at 31 December 2014, the Group's gearing ratio had decreased to 63.8% (calculated on the basis of the Group's total liabilities over total assets) from 69.5% as at 31 December 2013. At the year end date the Group's total bank borrowings amounted to approximately RMB1,389 million (2013: approximately RMB1,664 million). The Group's cash and bank balances as at 31 December 2014 has decreased to approximately RMB252 million (2013: approximately RMB804 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decrease to 1.32 as at 31 December 2014 (2013: 1.46).

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 material contingent liabilities at 31 December 2014.

CAPITAL COMMITMENTS
As at 31 December 2014, the Group had capital commitment authorised but not contracted for and contracted but not provided for were nil (2013: approximately RMB0.5 million) and approximately RMB180.9 million (2013: approximately RMB282.6 million) respectively, mainly in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of commercial and residential properties in Kunshan, Jiangsu, the PRC and construction of production plants, office and staff quarters in Hangzhou, Zhejiang, the PRC.

PLEDGE OF ASSETS
At 31 December 2014, the Group has pledged certain of its property, plant and equipment, investment properties, properties held for sale and properties under development with a total carrying amount of approximately RMB2,043.4 million (2013: approximately RMB1,303.9 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 2014, the Group had total workforce of 949 (2013: 1,070). Employee benefit during the year were approximately RMB74.0 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 51, 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 27 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 86, 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 53, 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 53, 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 Wales and a fellow member of the Association of Chartered Certified Accountants. Mr. Ling has over 24 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.

Dong Li Xin (董立新), aged 55, an independent non-executive director 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.

Wen Bing (聞冰), aged 53, an independent non-executive director 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 28 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).

An Jian (安健), aged 46, 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 21 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 49, 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 24 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 44, 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 23 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 39, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He has over 18 years of experience in management and administration.

Ng Mun Hong (吳滿康), aged 49, an independent supervisor of the Company. Mr. Ng obtained an Associateship in Textile Technology from Hong Kong Polytechnic in Hong Kong in 1992. He got Chartered and Associateship member qualification from The Textile Institute in U.K. in 1995. He is currently a director and project manager of Katz Limited in Hong Kong.

Kwok Ka Man (郭家文), aged 45, an independent supervisor of the Company. Ms. Kwok was graduated from high school and has over 26 years of experience in management and administration.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 64, 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 26 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 41, 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 2013. 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 21 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 48, 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 20 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 2014.

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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 99.

The Board of directors recommended the payment of final dividend RMB0.015 per share for the year ended 31 December 2014 (2013: RMB0.015 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 2014, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to approximately RMB959 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 88.5% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 79.3% of the Group's revenue for the year. 38.4% 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 12.2% 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	
An Jia	
Wen Bing	Appointed on 30 May 2014
Dong Li Xin	Appointed on 30 May 2014
Wang Zhao Hui	Resigned on 30 May 2014
Dai Lin Ying	Resigned on 30 May 2014

Supervisors:

Pu Jing *(Chairman)*	
Zhan Guo Nian	
Zhang Zheng An	
Ng Mun Hong	Appointed on 30 May 2014
Kwok Ka Man	Appointed on 30 May 2014
Wen Bing	Resigned on 30 May 2014
Dong Li Xin	Resigned on 30 May 2014

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 directors and supervisors 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 2014.

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 2014, 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 2014, 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 2014, 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 2014, 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 2014, 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 2014.

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

The Company has not purchased, sold or redeemed any of the Company's shares during the year.

BANK BORROWINGS

As at 31 December 2014, 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.

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, 30 March 2015

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

The competition between enterprises, ultimately, is the competition of "talents". "Talents" in an enterprise are more valuable than any tangible resources. The Company has always been adhering to the talent strategy of "people first". We offer timely and reasonable returns to our employees according to their performance and contribution. We help our employees improve themselves by providing training and clear career development channels. In addition, we established impeccable communication channel for our employees. The Company attaches great importance to employees' amateur life and mental health and encourages them to carry out various forms of corporate culture activities to enrich their amateur life.

1. The Company not only provides competitive salary for employees but also adjusts salary timely by performing regular investigation on external labor market changes and salary standard and combining Company's conditions and individual performance.

2. The Company provides impeccable career development channels, so employees can improve themselves directly or indirectly through career information channels, such as technology, market, profession and management.

3. The Company has established a full-channel and open E-communication platform, including OA cooperative office system, video conference and telephone conference system, real-time communication system, general manager meeting, mail boxes for good suggestions and complaints.

4. The Company often carries out various forms of corporate culture activities such as corporate culture salons, Spring Festival Galas, birthday parties, funny sports meetings, fraternity for single employees and Europe tours for senior employees.

Through the implementation of talent strategies mentioned above, the Company forms a talent team with strong cohesion and working capacity, ensuring the company's "eternal operation".

STAKEHOLDER

The Company values the cooperation and development between our partners and establishes good partnership with the suppliers and clients. EVOC has carried out a comprehensive cooperation with INTEL for more than 14 years, organizing several kinds of marketing promotion activities and new products seminars with INTEL and assuming the EA project of the INTEL to manufacture sample products for INTEL to release to its peers as references. EVOC is Microsoft's global gold partner, cooperating closely with Microsoft for many years to jointly promote the sales of copyrighted software in China. In addition, EVOC has built long-term strategic cooperative relations with Phoenix, CNPC, Sinopec, CRS and CNR, etc.

With our own advantages, domestic famous scientific research institutions have become our strategic partners such as Institute of Computing Technology Chinese Academy of Sciences, National University of Defense Technology, Jiangnan Institute of Computing Technology, MPRC, Peking University, Beijing University of Aeronautics and Astronautics, Harbin Institute of Technology, Northwestern Polytechnical University, Sun Yat-Sen University and South China University of Technology and so on. We are aimed at promoting the technological application and development of domestic chip application engineering, information security, Internet of things and cloud computing. In addition, EVOC is a member of special committee for IPC of China Computer Federation and CCF TCSEC. It once, acting as a member of VITA and PICMG, participated in the discussion and formulation of international standard.

The Company has also cooperated closely with local small and medium-sized enterprises that are developing together with us, thus promoting our common development. Through various chances to communicating with our suppliers, such as website, seminars and qualified supplier management system and so on, we delivery our operation philosophy to suppliers, promoting close cooperation between each other.

GREEN ENVIRONMENTAL PROTECTION

The Company has established complete environmental management system, increased investment 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.

The Company emphasizes the social responsibility of eco-friendly production and puts special funds every year into the eco-friendly production. While managing the waste gas from electronic workshops, we use plasma organic waste gas purifier plus circulating spray process to ensure the waste gas treatment to meet the requirements of secondary local standard of Guangdong Province Emission Limits Air of Pollutants (DB44/27-2001), so the harmful waste residues generated during the producing process are delivered to qualified environmental protection companies for treatment. In order to effectively reduce energy consumption, the Company invested funds to replace all the old fluorescent lamps in production places with underpowered LED energy-saving lamp tubes, which not only reduced energy consumption but also reduced the damage to the environment caused by solids wastes of worn-out lamps. The Company actively advocates environmental protection at internal training and various meetings in order to equip every employee with environmental awareness of energy conservation and emission reduction.

CHARITY

The Company did not forget to return to the community during its development and actively fulfilled its corporate social responsibility. The Company persistently participated in social welfare and charitable activities in various of ways. The Company mainly participated in the following charitable activities in recent years:

1. In 2012, the Company donated RMB500,000 when participating in the activity of "China glorious causes to Yanbian (中國光彩事業延邊行)" ;

2. In 2012, the Company donated RMB500,000 when participating in the activity of "China glorious causes to Ningxia (中國光彩事業寧夏行)";

3. In 2013, the Company participated in the"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. We donated RMB4,000,000 successively in donations and funds activities in Yanji of Jilin, Liu'an of Anhui, Tibet and Yan'an.

4. In 2014, the Company donated RMB2,000,000 to China Foundation for Glory Society to support social poverty alleviation and western development, and to cultivate poverty alleviation and development demonstration projects, support disaster relief and post-disaster reconstruction projects and social public welfare cause projects.

5. In 2014, before the Mid-Autumn Festival, during a new round of poverty alleviation projects, with the purpose of helping impoverished villagers in Xinhu Village, Bawan Town, Lufeng City, Guangdong Province to quickly out of poverty and increase their income, the Company supported RMB40,000 to purchase about 5,000 kilograms of pineapples from this town.

6. In 2014, the Company sponsored RMB200,000 for China Celebrity Table Tennis Club to carry forward the national table tennis culture and its cultural communication and to advocate celebrities from all walks of life and the government to promote public welfares like loving sports and national fitness, thus facilitating the interactions between celebrities and table tennis fans, enterprises and the community as well as the development and sharing of resources.

CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance (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 as the code of conduct of the Group regarding Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2014 to 31 December 2014.

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;

— 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 15 to 17 of this annual Report.

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors are appointed for a specific term. All the executive directors and independent non-executive directors of the Company are engaged on a service contract/letter of appointment with the Company for a term of three years.

According to the Company's Articles of Association (the "Articles of Association"), all directors of the Company are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the next general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

In accordance with the Articles of Association, Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun shall retire and, being eligible, offer themselves for re-election at the forthcoming 2015 annual general meeting of the Company. The Board and the Nomination Committee recommend their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three directors as required by the Listing Rules.

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.

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 2014 to 31 December 2014, 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, Mr. Wen Bing, Mr. Dong Li Xin 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.

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 2014. 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	—	—	2/2
Tso Cheng Shun	4/4	—	—	—
Zhu Jun	4/4	—	2/2	—
Independent non-executive directors:				
Ling Chun Kwok	4/4	2/2	—	—
An Jian	4/4	2/2	2/2	—
Wen Bing (Appointed at 30 May 2014)	1/4	—	—	—
Dong Li Xin (Appointed at 30 May 2014)	1/4	1/2	—	—
Dai Lin Yin (Resigned at 30 May 2014)	3/4	—	—	2/2
Wang Zhao Hui (Resigned at 30 May 2014)	3/4	1/2	2/2	2/2

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. Dong Li Xin and Mr. An Jian. Mr. Dong Li Xin is the Chairman of the remuneration and review committee. The remuneration and review committee has rights and duties consistent with those set out in the Code Provisions. 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 of Directors.

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. Dong Li Xin and Mr. Wen Bing. 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.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive directors, including Mr. Ling Chun Kwok, Mr. Dong Li Xin and Mr. An Jian. Mr. Ling Chun Kwok is the Chairman of the audit committee. The rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the annual results for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, auditor's remuneration for audit services is approximately HK$1,303,000 (2013: HK$1,124,000). 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.cn 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, 30 March 2015

Independent Auditor's Report

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 35 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014 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,

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	7	**2,312,702**	1,814,780
Cost of sales		**(2,072,727)**	(1,534,983)
Gross profit		**239,975**	279,797
Other income	7	**92,160**	91,279
Selling and distribution costs		**(43,099)**	(45,584)
Administrative expenses		**(44,337)**	(50,778)
Other operating expenses		**(68,217)**	(60,182)
Fair value gain on investment properties	16	**24,697**	3,458
Fair value gain on transfer of properties held for sale to investment properties		**1,097**	—
Impairment loss on properties held for sale		**—**	(55,824)
Finance costs	8	**(76,169)**	(78,025)
Profit before income tax	9	**126,107**	84,141
Income tax expense	11(a)	**(6,511)**	(35,737)
Profit for the year		**119,596**	48,404
Other comprehensive income, after tax			
Items that will not be reclassified to profit or loss			
Surplus on revaluation of land and buildings	15 & 29	**166,799**	31,401
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(10)**	229
Other comprehensive income for the year, net of tax		**166,789**	31,630
Total comprehensive income for the year		**286,385**	80,034
Profit attributable to:			
— Owners of the Company		**119,596**	48,980
— Non-controlling interests		**—**	(576)
		119,596	48,404
Total comprehensive income attributable to:			
— Owners of the Company		**286,385**	80,610
— Non-controlling interests		**—**	(576)
		286,385	80,034
Earnings per share — Basic and diluted (RMB)	14	**0.097**	0.040

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**915,004**	850,167
Investment properties	16	**530,439**	263,693
Prepaid land lease payments	17	**46,585**	47,598
Deferred tax assets	29	**26,269**	28,981
Total non-current assets		**1,518,297**	1,190,439
Current assets			
Inventories	19	**38,670**	33,569
Properties under development	20	**737,586**	905,576
Properties held for sale	21	**894,223**	503,781
Prepaid land lease payments	17	**1,016**	1,020
Trade receivables	22	**42,965**	63,746
Bills receivable	22	**23,009**	34,396
Other receivables, deposits and prepayments	23	**489,491**	317,989
Cash and bank balances	25	**251,750**	804,102
Total current assets		**2,478,710**	2,664,179
Current liabilities			
Trade payables	26	**278,306**	155,988
Bills payable	26	**2,341**	4,389
Other payables, accruals and receipts in advance	27	**661,994**	683,738
Bank borrowings	28	**919,000**	935,000
Income tax payable		**10,254**	43,277
Total current liabilities		**1,871,895**	1,822,392
Net current assets		**606,815**	841,787
Total assets less current liabilities		**2,125,112**	2,032,226
Non-current liabilities			
Bank borrowings	28	**470,000**	729,000
Deferred tax liabilities	29	**209,880**	126,344
Total non-current liabilities		**679,880**	855,344
NET ASSETS		**1,445,232**	1,176,882

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(a)	**1,321,918**	1,053,568
TOTAL EQUITY		**1,445,232**	1,176,882

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**811,565**	808,029
Investment properties	16	**499,322**	227,765
Prepaid land lease payments	17	**4,760**	4,885
Investments in subsidiaries	18	**1,080,243**	1,082,043
Deferred tax assets	29	**704**	905
Total non-current assets		**2,396,594**	2,123,627
Current assets			
Inventories	19	**47,679**	39,132
Prepaid land lease payments	17	**126**	126
Trade receivables	22	**30,110**	34,698
Bills receivable	22	**22,889**	22,207
Other receivables, deposits and prepayments	23	**466,805**	247,287
Amounts due from subsidiaries	24	**769,504**	549,048
Cash and bank balances	25	**180,665**	661,225
Total current assets		**1,517,778**	1,553,723
Current liabilities			
Trade payables	26	**277,620**	139,291
Bills payable	26	**2,341**	4,389
Other payables, accruals and receipts in advance	27	**237,052**	287,115
Amounts due to subsidiaries	24	**489,102**	451,144
Bank borrowings	28	**884,000**	870,000
Income tax payable		**16,313**	11,159
Total current liabilities		**1,906,428**	1,763,098
Net current liabilities		**(388,650)**	(209,375)
Total assets less current liabilities		**2,007,944**	1,914,252
Non-current liabilities			
Bank borrowings	28	**410,000**	684,000
Deferred tax liabilities	29	**137,463**	57,658
Total non-current liabilities		**547,463**	741,658
NET ASSETS		**1,460,481**	1,172,594

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(b)	**1,337,167**	1,049,280
TOTAL EQUITY		**1,460,481**	1,172,594

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2013	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)
Others	—	—	(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
Profit for the year	**—**	**—**	**—**	**—**	**—**	**119,596**	**119,596**	**—**	**119,596**
Other comprehensive income for the year	**—**	**—**	**—**	**166,799**	**(10)**	**—**	**166,789**	**—**	**166,789**
Total comprehensive income for the year	**—**	**—**	**—**	**166,799**	**(10)**	**119,596**	**286,385**	**—**	**286,385**
Dividend approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**(18,035)**	**(18,035)**	**—**	**(18,035)**
Transferred between reserves	**—**	**—**	**1,500**	**—**	**—**	**(1,500)**	**—**	**—**	**—**
Balance at 31 December 2014	**123,314**	**8,586**	**79,942**	**317,880**	**1,279**	**914,231**	**1,445,232**	**—**	**1,445,232**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
Cash flows from operating activities		
Profit before income tax	**126,107**	84,141
Adjustments for:		
Depreciation and amortisation	**26,108**	19,230
Interest expenses	**75,780**	77,557
(Reversal of impairment loss)/impairment loss on trade receivables	**(8,398)**	6,683
Impairment loss on properties held for sale	**—**	55,824
Loss/(gain) on disposal of property, plant and equipment	**380**	(3)
Fair value gain on investment properties	**(24,697)**	(3,458)
Fair value gain on transfer of properties held for sales to investment properties	**(1,097)**	—
Reversal of impairment loss on inventories	**(1,808)**	(3,046)
Interest income	**(6,300)**	(24,542)
Operating profit before working capital changes	**186,075**	212,386
(Decrease)/increase in other payables and accruals	**(21,744)**	244,125
(Increase)/decrease in inventories	**(3,293)**	9,189
Increase in properties under development	**(194,051)**	(532,332)
Increase/(decrease) in trade payables	**122,318**	(43,741)
(Decrease)/increase in bills payable	**(2,048)**	1,757
Increase in other receivables, deposits and Prepayments	**(171,502)**	(275,948)
Decrease in trade receivables	**29,179**	133,513
Decrease in bills receivable	**11,387**	15,158
Cash used in operations	**(43,679)**	(235,893)
Income tax paid	**(24,331)**	(13,837)
Net cash used in operating activities	**(68,010)**	(249,730)
Cash flows from investing activities		
Decrease in time deposits with original maturity of more than three months when acquired	**360,000**	800,000
Purchase of property, plant and equipment and investment properties	**(91,886)**	(147,171)
Decrease/(increase) in pledged bank balances	**18,280**	(5,103)
Decrease in restricted bank deposit	**719**	494
Prepayment of land lease payments	**—**	(36,052)
Proceeds from disposal of property, plant and equipment	**40**	1,515
Interest received	**6,300**	24,542
Net cash generated from investing activities	**293,453**	638,225

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		**(865,000)**	(925,500)
Interest paid		**(105,751)**	(77,557)
Proceeds from new bank borrowings		**590,000**	994,520
Acquisition of additional interests in a subsidiary		**—**	(319,000)
Dividend paid to owners of the company		**(18,035)**	(12,011)
Net cash used in financing activities		**(398,786)**	(339,548)
Net (decrease)/increase in cash and cash equivalents		**(173,343)**	48,947
Cash and cash equivalents at beginning of year		**423,508**	374,332
Effect of foreign exchange rate changes		**(10)**	229
Cash and cash equivalents at end of year	25	**250,155**	423,508

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 2014, 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 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 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities

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

Amendments to 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. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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 adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

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

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

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

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014)—Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

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

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

HKFRS 15 — Revenue from Contracts with Customers (continued)

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

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

(d) Investment property

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

(e) Prepaid land lease payments

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

(f) Leasing

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

The Group as lessor

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Research and development costs

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

(h) Financial instruments

(i) Financial assets

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

Loans and receivables

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For loans and receivables

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and accruals and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(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.

(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 collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(m) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

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

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.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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 on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment under cost model;

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

— investments in subsidiaries.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(p) Capitalisation of borrowing costs

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

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as liabilities in the statements of financial position and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(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 it is probable will result in an outflow of economic benefits that can be reliably 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.

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.

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

(b) Key sources of estimation uncertainty (continued)

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.

PRC Enterprise Income tax

The Group is subject to enterprise income taxes in Mainland China. Due to the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the differences realise.

PRC land appreciation tax ("LAT")

LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs, other property development expenditures.

When calculating the LAT, the group needs to estimate the deductible expenditures and make judgement on the relevant tax rate on individual property basis under the relevant applicable tax laws and regulations. Given the uncertainties of the calculation basis of LAT to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated. Where the final tax outcome of these matters is different for the amounts that were initially recorded, such difference will impact the LAT expense and LAT provision in the period in which the differences are realized.

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 accessories

— Sales of development properties

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

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2014

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	**2,359,697**	**(46,995)**	**2,312,702**
Reportable segment profit/(loss)	**160,252**	**(71,851)**	**88,401**
Interest income	**6,247**	**53**	**6,300**
Depreciation and amortisation	**(23,707)**	**(2,401)**	**(26,108)**
Reversal of impairment loss on trade receivables	**8,398**	**—**	**8,398**
Reversal of impairment loss on inventories	**1,808**	**—**	**1,808**
Reportable segment assets	**1,357,640**	**1,577,568**	**2,935,208**
Additions to non-current assets	**25,980**	**65,906**	**91,886**
Reportable segment liabilities	**(1,411,837)**	**(509,804)**	**(1,921,641)**

For the year ended 31 December 2013

	Special Computer products and electronic 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 sales	—	(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)

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 accessories":

	2014 **RMB'000**	2013 RMB'000
Customer A	**1,833,293**	969,635
Customer B	**—**	232,581

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

	2014 **RMB'000**	2013 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**2,312,702**	1,814,780
Profit before income tax		
Reportable segment profit	**88,401**	69,897
Other income	**92,160**	91,279
Fair value gain on investment properties	**24,697**	3,458
Fair value gain on transfer from property held for sales to investment property	**1,097**	—
Unallocated corporate expenses	**(4,079)**	(2,468)
Finance costs	**(76,169)**	(78,025)
Profit before income tax	**126,107**	84,141

	2014 **RMB'000**	2013 RMB'000
Reportable segment assets		
Reportable segment assets	**2,935,208**	3,205,362
Deferred tax assets	**26,269**	28,981
Property, plant and equipment	**499,322**	221,265
Investment properties	**531,662**	394,124
Unallocated corporate assets	**4,546**	4,886
Consolidated total assets	**3,997,007**	3,854,618

6. SEGMENT INFORMATION (CONTINUED)

Notes: (continued)

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

	2014 RMB'000	2013 RMB'000
Reportable segment liabilities		
Reportable segment liabilities	**1,921,641**	1,824,115
Bank borrowings	**410,000**	684,000
Deferred tax liabilities	**209,880**	126,344
Tax payables	**10,254**	43,277
Consolidated total liabilities	**2,551,775**	2,677,736

(c) Geographic information

All revenue from external customers and non-current assets other than deferred tax assets are located in the PRC (place of domicile). The geographical location of customers is based on the location at which the goods were delivered and the services were provided. The geographical location of non-current assets other than deferred tax assets is based on the physical location of the assets.

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.

	2014 RMB'000	2013 RMB'000
Turnover		
Sales of Special Computer products	**350,686**	406,666
Sales of electronic products and accessories	**2,009,011**	1,284,398
Sales of properties (note (a))	**(46,995)**	123,716
	2,312,702	1,814,780
Other income		
Gross rentals from investment properties	**67,346**	50,644
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties	**(26,031)**	(10,799)
	41,315	39,845
Bank interest income	**6,300**	24,542
Value-added tax ("VAT") concessions (note (b))	**5,398**	10,777
Reversal of impairment loss on trade receivables	**8,398**	—
Government subsidies (note (c))	**17,643**	9,493
Repairs and maintenance income	**9,140**	1,944
Sub-contracting income	**185**	539
Sundry income	**3,781**	4,139
	92,160	91,279
	2,404,862	1,906,059

(a) During the year ended 31 December 2014, the Group received a request for return and cancellation of a sale of property ("return") from a property buyer that had been recognised as sales during 31 December 2013. As a result of the return, turnover less cost of sales was reduced by RMB45,300,000 and property held for sales was increased by RMB14,710,000. Land appreciation tax in respect of the return was also reversed by RMB20,087,000.

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

(c) Financial incentives were granted by the PRC government for development of high-technology products and purchase of specified property, plant and equipment for development of specified project.

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	**105,751**	112,423
Less: Interest capitalised	**(29,971)**	(34,866)
	75,780	77,557
Bank charges	**389**	468
	76,169	78,025

9. PROFIT BEFORE INCOME TAX

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

	2014 RMB'000	2013 RMB'000
Auditor's remuneration	**1,303**	1,124
Cost of inventories recognised as an expense (note (a))	**2,080,564**	1,466,693
Cost of properties recognised as an expense	**(7,837)**	68,290
Depreciation of property, plant and equipment	**25,091**	18,203
Amortisation of prepaid land lease payments	**1,017**	1,027
Foreign exchange difference, net	**2,094**	401
Loss/(gain) on disposal of property, plant and equipment	**380**	(3)
(Reversal of impairment loss)/Impairment loss on trade receivables	**(8,398)**	6,683
Reversal of impairment loss on inventories	**(1,808)**	(3,046)
Impairment loss on properties held for sale	**—**	55,824
Minimum lease payments under operating leases	**6,404**	8,117
Research and development costs (note (b))	**58,010**	52,386
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	**67,765**	77,029
Contributions to retirement benefits schemes	**6,267**	6,841
	74,032	83,870

Notes:

(a) Cost of inventories sold includes staff costs and depreciation of RMB20,397,000 (2013: RMB25,397,000) and RMB5,880,000 (2013: RMB4,697,000) 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 RMB2,065,000 (2013: RMB1,747,000).

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

The emoluments paid or payable to directors are as follows:

	2014 **RMB'000**	2013 RMB'000
Fees	**66**	66
Other emoluments:		
Salaries, allowances and benefits in kind	**410**	336
Contributions to retirement benefits schemes	**17**	16
	427	352
	493	418

(a) Independent non-executive directors

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

	2014 **RMB'000**	2013 RMB'000
Mr An Jian	**12**	12
Ms Dai Lin Ying	**5**	12
Mr Ling Chun Kwok	**30**	30
Mr Wang Zhao Hui	**5**	12
Mr. Wen Bing	**7**	—
Mr. Dong Li Xin	**7**	—
	66	66

There were no other emoluments payable to the independent non-executive directors during the reporting period (2013: 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
2014				
Mr Chen Zhi Lie	**—**	**224**	**9**	**233**
Mr Tso Cheng Shun	**—**	**30**	**—**	**30**
Mr Zhu Jun	**—**	**156**	**8**	**164**
	—	**410**	**17**	**427**
2013				
Mr Chen Zhi Lie	—	150	8	158
Mr Tso Cheng Shun	—	30	—	30
Mr Zhu Jun	—	156	8	164
	—	336	16	352

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
2014			
Ms Pu Jing	**144**	**8**	**152**
Mr Zhan Guo Nian	**92**	**5**	**97**
Mr Zhang Zheng An	**20**	**—**	**20**
Mr Dong Lixin	**5**	**—**	**5**
Mr Wen Bing	**5**	**—**	**5**
Mr. Wu Man Kang	**7**	**—**	**7**
Ms. Guo Jia Wen	**7**	**—**	**7**
	280	**13**	**293**
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

(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 (2013: 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.

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

(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 (2013: two). The emoluments of the remaining three (2013: three) individuals, during the reporting period were as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**685**	706
Contributions to retirement benefits schemes	**30**	25
	715	731

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 2014 and 2013.

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 (2013: Nil).

11. INCOME TAX EXPENSE

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

	2014 **RMB'000**	2013 RMB'000
Current tax — the PRC		
Enterprise income tax ("EIT")		
Current year	**11,044**	25,451
Under/(over)-provision in respect of prior year	**351**	(3,415)
Land appreciation tax ("LAT")		
Current year	**—**	22,675
Reversal of VAT in response to return of property sold (note 7(a))	**(20,087)**	—
	(8,692)	44,711
Deferred taxation (Note 29)		
Origination and reversal of temporary differences, net	**15,203**	(8,974)
	15,203	(8,974)
Income tax expense	**6,511**	35,737

11. INCOME TAX EXPENSE (CONTINUED)

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. Certain of these subsidiaries are exempted from income tax while others are subject to income tax rate of 25% (2013: 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.

The 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% (2013: 16.5%) on the estimated assessable profits during the reporting period. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2014. No Hong Kong profits tax has been provided for the year ended 31 December 2013 as there was no estimated assessable profit

(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:

	2014 **RMB'000**	2013 RMB'000
Profit before income tax	**126,107**	84,141
Tax at applicable tax rate at 25% (2013: 25%)	**31,527**	21,035
Effect of tax exemption and reduction	**(29,702)**	(18,351)
Tax effect of LAT and other taxes for deduction	**6,462**	(7,215)
Tax effect of non-taxable income	**(4,695)**	(4,437)
Utilization of tax losses and temporary differences previously not recognised	**(687)**	(2,915)
Tax effect of non-deductible expenses	**8,765**	25,678
Tax effect of tax losses and temporary differences not recognised	**14,577**	2,682
LAT	**—**	22,675
Reversal of LAT in response to return of property sold	**(20,087)**	—
Under/(over)-provision in respect of prior year	**351**	(3,415)
Income tax expense	**6,511**	35,737

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes an amount of RMB143,587,000 (2013: RMB81,488,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The final dividend for the year ended 31 December 2013 of RMB18,035,000 was approved by shareholders at the annual general meeting on 30 May 2014 and paid on 18 July 2014.

The Board of directors recommended the payment of final dividend RMB0.015 per share for the year ended 31 December 2014 (2013: RMB0.015).

The proposed final dividend for the year is subject to the approval by 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:

	2014	2013
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	**119,596**	48,980
Weighted average number of domestic and H shares in issue	**1,233,144,000**	1,233,144,000
Basic earnings per share (RMB)	**0.097**	0.040

There were 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

	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
Group							
Cost or valuation:							
As at 1 January 2013	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 construction in progress	592,868	—	—	—	—	(592,868)	—
Transfer from prepaid land lease payments	—	—	—	—	—	52,309	52,309
Transfer to properties under development	—	—	—	—	—	(3,729)	(3,729)
Transfer to investment properties (note a)	(56,465)	—	—	—	—	(84,737)	(141,202)
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
Additions	13,366	5,360	1,212	2,430	108	67,733	90,209
Transfer to investment properties (note a)	(237,705)	—	—	—	—	—	(237,705)
Disposals	—	—	(18)	(2,016)	(479)	—	(2,513)
Revaluation surplus	221,352	—	—	—	—	—	221,352
As at 31 December 2014	796,291	39,060	30,491	91,017	13,996	72,315	1,043,170
Accumulated depreciation:							
As at 1 January 2013	—	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
Charge for the year	16,492	1,149	3,255	3,982	213	—	25,091
Written back on disposal	—	—	(16)	(1,646)	(431)	—	(2,093)
Eliminated on revaluation upon transfer (note a)	(2,743)	—	—	—	—	—	(2,743)
Eliminated on revaluation	(13,749)	—	—	—	—	—	(13,749)
As at 31 December 2014	—	32,604	11,847	71,434	12,281	—	128,166
Carrying values:							
As at 31 December 2014	796,291	6,456	18,644	19,583	1,715	72,315	915,004
As at 31 December 2013	799,278	2,245	20,689	21,505	1,868	4,582	850,167

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
Company							
Cost or valuation:							
As at 31 December 2013	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 construction in progress	592,868	—	—	—	—	(592,868)	—
Transfer from prepaid land lease payments	—	—	—	—	—	52,309	52,309
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
Additions	13,366	5,360	1,212	1,923	—	4,089	25,950
Transfer to investment properties (note a)	(231,205)	—	—	—	—	—	(231,205)
Disposals	—	—	(18)	(1,526)	(412)	—	(1,956)
Revaluation surplus	216,588	—	—	—	—	—	216,588
As at 31 December 2014	763,842	38,535	30,491	83,881	11,894	4,089	932,732
Accumulated depreciation:							
As at 31 December 2013	—	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
Charge for the year	15,106	1,148	3,255	3,084	12	—	22,605
Written back on disposal	—	—	(16)	(1,271)	(371)	—	(1,658)
Eliminated on revaluation upon transfer (note a)	(2,743)	—	—	—	—	—	(2,743)
Eliminated on revaluation	(12,363)	—	—	—	—	—	(12,363)
As at 31 December 2014	—	32,128	11,847	66,517	10,675	—	121,167
Carrying values:							
As at 31 December 2014	763,842	6,407	18,644	17,364	1,219	4,089	811,565
As at 31 December 2013	765,093	2,195	20,689	18,780	1,272	—	808,029

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) For the year ended 31 December 2014, certain properties with a total carrying amount of RMB237,705,000 and RMB231,205,000 (2013: RMB56,465,000 and RMB9,824,000) have ended the self occupation by the Group and the Company respectively, and transfer to investment properties.

(b) The fair values of the Group and the Company's land and buildings in the PRC as at 31 December 2014 were with reference to valuation carried out by qualified valuers from CBRE Limited, an independent firm of chartered surveyors.

The fair values of the Group and the Company's land and buildings in the PRC as at 31 December 2013 were with reference to valuation carried out by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors.

The valuations were 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 2014 would have been RMB556,408,000 (2013: RMB700,735,000) and RMB541,765,000 (2013: RMB684,982,000) respectively.

(c) The fair value of the Group's land and buildings is a level 3 recurring fair value measurements using significant unobservable inputs. During the years, there were no transfers of fair value measurements between level 1 and level 2, and no transfers into or out of level 3. A reconciliation of the opening and closing fair value balance is provided below.

	2014	2013
	RMB'000	RMB'000
Opening balance	**799,278**	221,367
Depreciation charge	**(16,492)**	(7,589)
Transfer from construction in progress	**—**	592,868
Transfer to investment properties	**(237,705)**	(56,465)
Additions	**13,366**	8,677
Revaluation gains included in other comprehensive income	**237,844**	40,420
Closing balance	**796,291**	799,278

Valuation techniques applied to the fair value measurement of certain properties of the Group have changed for the year ended 31 December 2014. It mainly reflects the availability of more representative market information which warrants the change.

For the Group's land and buildings in the PRC as at 31 December 2014, the valuation of the leasehold land and buildings amounted to RMB615,412,000, RMB148,429,000 and RMB32,450,000 was determined using, income approach — term and reversion approach, depreciated replacement cost approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

For the Group's land and buildings in the PRC as at 31 December 2013, the valuation of the leasehold 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 metre 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 metre and age adjustment on the cost of buildings.

For the land and buildings used the income approach — term and reversion approach, the fair value is based on the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalized into the value at appropriate rates. The key inputs are term yield, reversionary yield and monthly rent using direct market comparables.

For the land and buildings used the income approach — discounted cash flow approach, fair value is based on assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of net cash flows on a property interest. A market-derived discount rate is applied to the projected net cash flow in order to establish the present value of the income stream associated with the asset.

The exit yield is normally separately determined and differs from the discount rate. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. The key inputs are average market rent per square metre, discount rate and average market rent growth rate.

For the land and buildings used a weighted of direct comparison approach and income approach — discounted cash flow approach, a suitable weighting have been taken into consideration to the relative subjectivity of each approach, inputs and the degree of comparability between the interest properties and the comparable properties. The key input is price per square metre.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

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

Description	Fair value 2014 (RMB'000)	Fair value 2013 (RMB'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs 2014	Range of unobservable inputs 2013	Relationship of unobservable inputs to fair value
Leasehold land and buildings in the PRC	**N/A**	29,694	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.	**N/A**	RMB18,200/sq.m to RMB23,759/sq.m	Higher the price per sq.m will result in correspondingly higher fair value.
Leasehold land and buildings in the PRC	**148,429**	769,584	Depreciated replacement cost approach	Estimated cost of construction per square metre ("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.	**RMB6,000/sq.m**	RMB2,306/sq.m to 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 into account of remaining useful life of buildings.	**14%**	3%–16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value.
Leasehold land and buildings in the PRC	**615,412**	N/A	Income approach — term and reversion approach	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received	**8%**	N/A	The higher the term yield, the lower the fair value
				Reversionary yield, taking into account of annual unit market rental income and net market value of comparable properties	**7%–8.5%**	N/A	The higher the reversionary yield, the lower the fair value
				Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design.	**RMB25–51/sq.m** **Car parking space: RMB240 per unit**	N/A	The higher the monthly rent, the higher the fair value

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

Description	Fair value 2014 (RMB'000)	Fair value 2013 (RMB'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs 2014	Range of unobservable inputs 2013	Relationship of unobservable inputs to fair value
Leasehold land and buildings in the PRC	**32,450**	N/A	Income approach — discounted cash flow approach	Average market rent per square metre ("sq.m"), Taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB73/sq.m**	N/A	The higher the average market rent, the higher the fair value
				Discount rate, Taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**8.75%**	N/A	The higher the discount rate, the lower the fair value
				Average market rent growth rate, taking into account annual market rental income growth rate of comparable properties	**5.44%**	N/A	The higher the average market rent growth rate, the higher the fair value
			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.	**RMB17,885/sq.m**	N/A	Higher the price per sq.m will result in correspondingly higher fair value

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

(d) As at 31 December 2014, the Group and the Company had pledged the land and buildings with total carrying amounts of RMB763,841,000 and RMB763,841,000 (2013: RMB772,702,000 and RMB765,091,000) respectively to secure banking facilities granted to the Group and the Company.

As at 31 December 2014, the Group and the Company had pledged construction in progress with total carrying amount of RMB4,089,000 and RMB4,089,000 (2013: nil and nil) respectively to secure banking facilities granted to the Group and the Company.

(e) 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 amounts of RMB763,841,000 and RMB763,841,000 (2013: RMB772,702,000 and RMB765,091,000) 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	**796,291**	**—**	**—**	**—**	**—**	**—**	**796,291**
At cost	**—**	**39,060**	**30,491**	**91,017**	**13,996**	**72,315**	**246,879**
As at 31 December 2014	**796,291**	**39,060**	**30,491**	**91,017**	**13,996**	**72,315**	**1,043,170**
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
Company							
At valuation	**763,842**	**—**	**—**	**—**	**—**	**—**	**763,842**
At cost	**—**	**38,535**	**30,491**	**83,881**	**11,894**	**4,089**	**168,890**
As at 31 December 2014	**763,842**	**38,535**	**30,491**	**83,881**	**11,894**	**4,089**	**932,732**
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

16. INVESTMENT PROPERTIES

	2014		2013	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Carrying amount, at fair values				
At beginning of year	**263,693**	**227,765**	119,033	125,433
Additions	**1,677**	**1,677**	—	—
Transfer from property, plant and equipment (Note 15(a))	**237,705**	**231,205**	56,465	9,824
Transfer from construction in progress	**—**	**—**	84,737	84,737
Transfer from properties held for sale (note a)	**2,667**	**—**	—	—
Increase in fair value	**24,697**	**38,675**	3,458	7,771
At end of year	**530,439**	**499,322**	263,693	227,765

16. INVESTMENT PROPERTIES (CONTINUED)

Notes:

(a) During the year ended 31 December 2014, the Group transferred certain properties held for sale with carrying value of RMB1,570,000 as investment properties and recognized fair value gain of RMB1,097,000 in profit or loss as the date of transfer.

(b) The fair values of the Group and the Company's investment properties in the PRC at 31 December 2014 were with reference to valuation carried out by qualified valuers from CBRE Limited, an independent firm of chartered surveyors.

The fair values of the Group and the Company's investment properties in the PRC at 31 December 2013 were with reference to valuation carried out by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors.

The valuations were carried out in accordance with HKIS Valuation Standards issued by the HKIS Hong Kong Institute of Surveyors.

(c) The fair value of the Group's investments properties is a level 3 recurring fair value measurements using significant unobservable inputs. During the years, there were no transfers of fair value measurements between level 1 and level 2, and no transfers into or out of level 3.

Valuation techniques applied to the fair value measurement of certain properties of the Group have changed for the year ended 31 December 2014. It mainly reflects the availability of more representative market information which warrants the change.

For the Group's investment properties in the PRC as at 31 December 2014, the valuation of RMB324,751,000, RMB145,571,000, RMB29,000,000 and RMB31,117,000 was determined using, income approach — term and reversion approach, depreciated replacement cost approach, direct comparison approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

For the Group's investment properties in the PRC as at 31 December 2013, the valuation of RMB66,120,000 and RMB197,573,000 was determined using, direct comparison approach and depreciated replacement cost approach 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 metre 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 metre and age adjustment on the cost of buildings.

For the land and buildings used the income approach — term and reversion approach, the fair value is based on the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalized into the value at appropriate rates. The key inputs are term yield, reversionary yield and monthly rent using direct market comparable.

For the land and buildings used the income approach — discounted cash flow approach, fair value is based on assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of net cash flows on a property interest. A market-derived discount rate is applied to the projected net cash flow in order to establish the present value of the income stream associated with the asset.

16. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(c) (continued)

The exit yield is normally separately determined and differs from the discount rate. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

For the land and buildings used a weighted of direct comparison approach and income approach — discounted cash flow approach, a suitable weighting have been taken into consideration to the relative subjectivity of each approach, inputs and the degree of comparability between the interest properties and the comparable properties. The key inputs are average market rent per square metre, discount rate and average market rent growth rate.

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

Description	Fair value		Valuation technique(s)	Significant unobservable inputs	Range of Unobservable input		Relationship of unobservable inputs to fair value
	2014	2013			**2014**	2013	
	(RMB'000)						
Investment properties in the PRC	**29,000**	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.	**RMB25,000/sq.m**	RMB16,250/sq.m to RMB23,759/sq.m	Higher the price per sq.m will result in correspondingly higher fair value.
Investment properties in the PRC	**145,571**	197,573	Depreciated replacement cost approach	Estimated cost of construction per square metre ("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.	**RMB6,000/sq.m**	RMB2,660/sq.m to 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.	**14%**	3–16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value.

16. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(c) (continued)

Description	Fair value 2014 (RMB'000)	Fair value 2013 (RMB'000)	Valuation technique(s)	Significant unobservable inputs	Range of Unobservable input 2014	Range of Unobservable input 2013	Relationship of unobservable inputs to fair value
Investment properties in the PRC	**324,751**	N/A	Income approach — term and reversion approach	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received	**8%**	N/A	The higher the term yield, the lower the fair value
				Reversionary yield, taking into account of annual unit market rental income and net market value of comparable properties	**7%–8.5%**	N/A	The higher the reversionary yield, the lower the fair value
				Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design.	**RMB25–51/sq.m** **Car parking Space: RMB240 per unit**	N/A	The higher the monthly rent, the higher the fair value
Investment properties in the PRC	**31,117**	N/A	Income approach — discounted cash flow approach	Average market rent per sq.m, taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB47/sq.m to RMB73/sq.m**	N/A	The higher the average market rent, the higher the fair value
				Discount rate, taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**8.25% to 8.75%**	N/A	The higher the discount rate, the lower the fair value
				Average market rent growth rate, taking into account annual market rental income growth rate of comparable properties	**4%–5.44%**	N/A	The higher the average market rent growth rate, the higher the fair value
			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.	**RMB8,200/sq.m to RMB11,617/sq.m**	N/A	Higher the price per sq.m will result in correspondingly higher fair value.

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

(d) All investment properties held by the Group and the Company were located in the PRC, held under medium term leases. As at 31 December 2014, the Group and the Company had pledged the investment properties with total carrying values of RMB470,322,000 and RMB470,322,000 (2013: 202,351,000 and RMB202,065,000) respectively, to secure banking facilities granted to the Group and the Company.

(e) The investment properties of the Group and the Company with carrying value of RMB470,322,000 and RMB470,322,000 (2013: RMB202,351,000 and RMB202,065,000) respectively are not freely transferable.

17. PREPAID LAND LEASE PAYMENTS

	2014		2013	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cost:				
At beginning of year	**50,813**	**6,277**	83,379	62,950
Additions	**—**	**—**	36,052	—
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**	50,813	6,277
Accumulated amortisation and impairment:				
At beginning of year	**2,195**	**1,266**	5,632	5,504
Charge for the year	**1,017**	**125**	1,027	126
Transfer to property, plant and equipment	**—**	**—**	(4,364)	(4,364)
Transfer to properties under development	**—**	**—**	(100)	—
At end of year	**3,212**	**1,391**	2,195	1,266
Carrying values at end of year	**47,601**	**4,886**	48,618	5,011
Less: Current portion included under current assets	**(1,016)**	**(126)**	(1,020)	(126)
Non-current portion	**46,585**	**4,760**	47,598	4,885

(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 RMB8,116,000 at 31 December 2014 (2013: RMB8,286,000) 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, Guangdong, the PRC with a carrying amount of RMB4,886,000 at 31 December 2014 (2013: RMB5,011,000) 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.

17. PREPAID LAND LEASE PAYMENTS (CONTINUED)

(d) Included in leasehold land is a piece of land in Nantong, Jiangsu, the PRC with a carrying amount of RMB34,599,000 at 31 December 2014 (2013: RMB35,320,000) which is being held under a medium term lease with a term of 50 years commencing on 28 May 2014. 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.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**1,090,343**	1,092,843
Impairment loss	**(10,100)**	(10,800)
	1,080,243	1,082,043

Details of the Company's principal subsidiaries, the business structure of which were corporations, as at 31 December 2014 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%	—	Investment holding
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

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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
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
浙江研祥智能科技有限公司 Zhejiang EVOC Intelligent Technology Company Limited*	PRC	RMB70,000,000	90%	10%	Property development
江蘇研祥智能科技有限公司 Jiangsu 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
深圳市特種計算機軟件有限公司 Shenzhen Special Computer Software Company Limited*	PRC	RMB3,000,000	—	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.*

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.

19. INVENTORIES

	2014 Group RMB'000	2014 Company RMB'000	2013 Group RMB'000	2013 Company RMB'000
Raw materials	**29,722**	**29,722**	20,123	20,123
Work-in-progress	**8,745**	**8,745**	9,460	9,460
Finished goods	**6,797**	**13,885**	12,388	15,031
	45,264	**52,352**	41,971	44,614
Less: Allowance for inventories	**(6,594)**	**(4,673)**	(8,402)	(5,482)
	38,670	**47,679**	33,569	39,132

The cost of inventories recognised as an expense during the reporting period was RMB2,080,564,000 (2013: RMB1,466,693,000), of which RMB1,808,000 (2013: RMB3,046,000) was in respect of net reversal of write-off of inventories made in prior years.

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

20. PROPERTIES UNDER DEVELOPMENT

	2014 RMB'000	2013 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**191,148**	350,050
Capitalised interests	**51,825**	29,265
Land use rights	**494,613**	526,261
	737,586	905,576

All properties under development are located in the PRC.

The capitalisation rate of borrowings is 6.69% for the year ended 31 December 2014 (2013: 6.55%).

As at 31 December 2014, the properties under development with carrying amount of RMB552,576,000 (2013: RMB327,805,000) 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 and were held under medium lease term.

As at 31 December 2014, completed properties held for sale of approximately RMB247,699,000 (2013: leasehold land on which properties are located) were pledged as collateral for the Group's bank borrowings (note 28).

22. TRADE AND BILLS RECEIVABLES

	2014		2013	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Trade receivables (note (a))	43,455	30,129	72,901	35,247
Allowance for impairment losses (note (c))	(490)	(19)	(9,155)	(549)
Trade receivables, net	42,965	30,110	63,746	34,698
Bills receivable (note (d))	23,009	22,889	34,396	22,207
Total	65,974	52,999	98,142	56,905

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

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

	2014		2013	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
0 to 90 days	37,099	26,291	39,616	17,695
91 to 180 days	1,265	833	17,366	16,895
181 to 365 days	1,957	1,889	12,065	464
Over 365 days	3,134	1,116	3,854	193
Gross trade receivables	43,455	30,129	72,901	35,247

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2014		2013	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Neither past due nor impaired	38,530	28,361	50,290	32,054
Within 90 days past due	1,964	1,319	7,252	2,644
91 to 180 days past due	790	414	460	—
181 to 365 days past due	233	—	5,744	—
Over 365 days past due	1,448	16	—	—
Amount past due but not impaired	4,435	1,749	13,456	2,644
	42,965	30,110	63,746	34,698

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

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

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

	2014		2013	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
At beginning of year	9,155	549	2,472	655
Impairment loss (reversed)/recognised, net	(8,398)	(530)	6,683	(106)
Bad debts written off	(267)	—	—	—
At end of year	490	19	9,155	549

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.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(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 RMB16,800,000 and RMB16,800,000 (2013: RMB29,357,000 and RMB18,531,000) 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 are 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

	2014		2013	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Other receivables	**4,718**	**4,622**	9,970	8,369
Deposits	**4,568**	**34**	19,261	523
Advance to suppliers	**462,149**	**462,149**	238,395	238,395
Prepayments	**18,056**	**—**	50,363	—
	489,491	**466,805**	317,989	247,287

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Amounts due from subsidiaries	**781,669**	567,286
Less: impairment loss	**(12,165)**	(18,238)
	769,504	549,048
Amounts due to subsidiaries	**(489,102)**	(451,144)

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

25. CASH AND BANK BALANCES

	2014 Group RMB'000	2014 Company RMB'000	2013 Group RMB'000	2013 Company RMB'000
Time deposits	**—**	**—**	360,000	360,000
Cash and bank balances	**251,206**	**180,665**	442,839	301,225
Restricted bank deposit	**544**	**—**	1,263	—
	251,750	**180,665**	804,102	661,225
Less:				
Time deposits with original maturity of more than three months when acquired (note (a))	**—**	**—**	(360,000)	(360,000)
Pledged bank balances (note (b))	**(1,051)**	**—**	(19,331)	(14,155)
Restricted bank deposit (note (c))	**(544)**	**—**	(1,263)	—
	(1,595)	**—**	(380,594)	(374,155)
Cash and cash equivalents	**250,155**	**180,665**	423,508	287,070

Notes:

(a) Time deposits represented deposits with banks with initial terms of maturity over three months. The effective interest rate was approximately 2.99% as at 31 December 2013. The balance was 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

	2014		2013	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	278,306	277,620	155,988	139,291
Bills payable	2,341	2,341	4,389	4,389
	280,647	279,961	160,377	143,680

The following is the ageing analysis of trade payables:

	2014		2013	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	260,873	260,552	144,051	128,024
91 to 180 days	13,957	13,958	9,017	8,959
181 to 365 days	506	506	1,488	1,293
Over 365 days	2,970	2,604	1,432	1,015
	278,306	277,620	155,988	139,291

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

	2014		2013	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Construction payables	**330,520**	**76,022**	328,419	100,732
Receipts in advance from pre-sales of properties	**119,569**	**—**	116,883	—
Receipts in advance	**102,163**	**92,642**	131,287	121,175
Government grants (note)	**58,516**	**30,351**	45,315	17,000
Other payables	**36,819**	**24,932**	30,938	17,782
Other tax payables	**2,922**	**2,985**	18,899	19,806
Accruals	**11,485**	**10,120**	11,997	10,620
	661,994	**237,052**	683,738	287,115

Note: The balance represents grants obtained from the PRC government in relation to the purchase of specified property, plant and equipment for development of specified project by the Group and the Company. At the end of reporting period, not all the conditions related to the above government grants have been fulfilled and the related income has not yet been recognised.

28. BANK BORROWINGS

	2014		2013	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Secured bank borrowings	**1,389,000**	**1,294,000**	1,664,000	1,554,000

At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:

	2014		2013	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
On demand or within one year	**919,000**	**884,000**	935,000	870,000
After one year but within two years	**230,000**	**210,000**	329,000	314,000
After two years but within five years	**240,000**	**200,000**	400,000	370,000
	470,000	**410,000**	729,000	684,000
	1,389,000	**1,294,000**	1,664,000	1,554,000

28. BANK BORROWINGS (CONTINUED)

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

	Group and Company			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank borrowings	**6.16%–6.90%**	**420,000**	6.3%–6.9%	220,000
Floating rate borrowings				
Bank borrowings	**6.15%–6.30%**	**969,000**	6.0%–7.5%	1,444,000

At 31 December 2014, the secured bank borrowings and general banking facilities of the Group and the Company with carrying amount of RMB1,389,000 and RMB1,294,000 respectively (2013: RMB944,000,000 and RMB894,000,000) are secured by way of charge over certain assets, including land and buildings, investment properties, properties held for sale and properties under development, together with the personal guarantees given by an executive director of the Company and related parties, including a spouse of an executive director and ultimate holding company.

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

At the end of reporting period, the Group and the Company had available undrawn committed borrowing facilities of RMB1,480,000 and Nil respectively (2013: RMB50,000,000 and RMB20,000,000) 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 2013	4,873	(1,951)	108,640	(1,557)	(2,108)	(8,880)	(1,700)	97,317
Charged 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**
Charged/(credited) to profit or loss	**4,873**	**(407)**	**7,618**	**2,011**	**965**	**143**	**—**	**15,203**
Charged to other comprehensive income	**—**	**—**	**71,045**	**—**	**—**	**—**	**—**	**71,045**
At 31 December 2014	**11,478**	**(1,624)**	**198,402**	**(15,070)**	**(1,130)**	**(8,445)**	**—**	**183,611**

Company	Capitalised Interests on borrowings	Revaluation of properties	Allowance for impairment losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	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**
Charged to profit or loss	**—**	**10,446**	**201**	**10,647**
Charged to other comprehensive income	**—**	**69,359**	**—**	**69,359**
At 31 December 2014	**2,658**	**134,805**	**(704)**	**136,759**

29. DEFERRED TAXATION (CONTINUED)

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

	2014 Group RMB'000	2014 Company RMB'000	2013 Group RMB'000	2013 Company RMB'000
Deferred tax assets	**(26,269)**	**(704)**	(28,981)	(905)
Deferred tax liabilities	**209,880**	**137,463**	126,344	57,658
	183,611	**136,759**	97,363	56,753

The Group has estimated unused tax losses arising in the PRC of RMB65,077,000 (2013: RMB31,258,000) that can be carried forward for five years and no estimated unused tax losses arising in Hong Kong (2013: RMB7,077,000) 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:

	2014 Group RMB'000	2014 Company RMB'000	2013 Group RMB'000	2013 Company RMB'000
Year of expiry				
2014	**—**	**—**	3,709	—
2015	**8,242**	**—**	8,306	—
2016	**3,445**	**—**	4,592	—
2017	**3,871**	**—**	6,500	—
2018	**6,968**	**—**	8,151	—
2019	**42,551**	**—**	—	—
	65,077	**—**	31,258	—

No deferred tax assets have been recognised for the unused tax losses of 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 2013, 31 December 2013 and 2014	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 40.

(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 2013	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
Total comprehensive income for the year, net of tax	—	—	162,335	—	143,587	305,922
Dividend approved in respect of the pervious year	—	—	—	—	(18,035)	(18,035)
At 31 December 2014	8,586	69,260	299,395	1,337	958,589	1,337,167

(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).

31. RESERVES (CONTINUED)

(c) Nature and purpose of reserves (continued)

(iv) Translation reserve

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

32. OPERATING LEASE COMMITMENTS

As lessee

The Group and the Company lease certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years (2013: 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:

	2014		2013	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	5,234	1,602	4,546	211
Less than one year but no later than five years	1,525	825	2,412	—
	6,759	2,427	6,958	211

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:

	2014		2013	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	39,312	40,403	19,118	19,717
Less than one year but no later than five years	102,677	103,518	40,993	41,012
Over five years	2,795	2,795	20,818	20,818
	144,784	146,716	80,929	81,547

33. CAPITAL COMMITMENTS

	2014 Group RMB'000	2014 Company RMB'000	2013 Group RMB'000	2013 Company RMB'000
Authorised but not contracted for:				
— construction of buildings and properties under development	—	—	549	—
Contracted but not provided for:				
— Construction of buildings and properties under development	180,941	5,134	282,565	8,444
	180,941	5,134	283,114	8,444

34. RELATED PARTY TRANSACTIONS

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

(a) The Group'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 RMB504,000 (2013: RMB1,630,000) 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 (2013: RMB1,702,000) was paid to a related company controlled by the ultimate holding company. The rental was calculated with reference to market rate.

(d) **Compensation of key management personnel**

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

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	1,410	1,041
Contributions to retirement benefits schemes	63	40
	1,473	1,081

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel (continued)

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

	2014 No. of Individuals	2013 No. of individuals
Nil to HK$1,000,000	**17**	15

35. CAPITAL RISK MANAGEMENT

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

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

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

	2014 RMB	2013 RMB
Debt	**2,331,641**	2,508,115
Cash and cash equivalents	**(251,750)**	(804,102)
Net debt	**2,079,891**	1,704,013
Equity	**1,445,232**	1,176,882
Net debt to equity ratio	**144%**	145%

36. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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 28% and 28% (2013: 0% and 2%) of the total trade, bill 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 and bills 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.

36. 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
2014						
Bank borrowings	**1,389,000**	**1,490,782**	**974,860**	**257,586**	**258,336**	**—**
Trade payables	**278,306**	**278,306**	**278,306**	**—**	**—**	**—**
Bills payable	**2,341**	**2,341**	**2,341**	**—**	**—**	**—**
Other payables and accruals	**661,994**	**661,994**	**661,994**	**—**	**—**	**—**
	2,331,641	**2,433,423**	**1,917,501**	**257,586**	**258,336**	
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 and accruals	683,738	683,738	683,738	—	—	—
	2,508,115	2,658,967	1,853,040	384,492	421,435	—

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
2014						
Bank borrowings	**1,294,000**	**1,383,438**	**934,209**	**234,064**	**215,165**	**—**
Bills payable	**2,341**	**2,341**	**2,341**	**—**	**—**	**—**
Trade payables	**277,620**	**277,620**	**277,620**	**—**	**—**	**—**
Other payables and accruals	**237,052**	**237,052**	**237,052**	**—**	**—**	**—**
Amounts due to subsidiaries	**489,102**	**489,102**	**489,102**	**—**	**—**	**—**
	2,300,115	**2,389,553**	**1,940,324**	**234,064**	**215,165**	**—**
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 and accruals	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	—

36. 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 2014, 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 RMB6,100,000 (2013: RMB10,000,000).

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 2013.

(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 2014 and 2013.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2014 and 2013 may be categorised as follows:

	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**322,442**	1,150,609
Financial liabilities		
Financial liabilities measured at amortised cost	**2,036,986**	2,183,734

38. COMPARATIVE FIGURES

Certain comparative figures of notes to the financial statements have been reclassified to conform with current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

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		2014	2013	2012	2011	2010
		Year ended 31 December				
Revenue	RMB'000	**2,312,702**	1,814,780	1,161,761	1,111,049	1,277,182
Gross Profit	RMB'000	**239,975**	279,797	190,796	227,858	219,267
Gross Margin	%	**10.38**	15.42	16.42	20.51	17.17
Profit for the year	RMB'000	**119,596**	48,404	94,698	88,393	38,501
Net Margin	%	**5.17**	2.67	8.15	7.96	3.01
Basic Earnings per Share (Note)	RMB	**0.097**	0.040	0.076	0.076	0.047
Net cash (used in)/generated from operations	RMB'000	**(68,010)**	(249,730)	(14,590)	89,518	262,603
Trade Receivables Turnover	Days	**10**	20	79	62	45
Dividend per Share	RMB	**0.015**	0.015	0.01	—	—

FINANCIAL POSITION

Financial year		2014	2013	2012	2011	2010
		As at 31 December				
Total Assets	RMB'000	**3,997,007**	3,854,618	3,792,018	2,861,369	2,535,653
Total Liabilities	RMB'000	**2,551,775**	2,677,736	2,364,049	1,557,923	1,336,865
Total Time Deposits and Cash and Cash Balances	RMB'000	**251,750**	804,102	1,550,317	1,160,462	1,279,692
Shareholders' Funds	RMB'000	**1,455,232**	1,176,882	1,427,969	1,303,446	1,198,788
Net Assets per Share	RMB	**1.172**	0.954	1.158	1.057	0.972

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 RMB119,596,000 (2013: RMB48,980,000) and the 1,233,144,000 (2013: 1,233,144,000) ordinary shares in issue during the year.