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 2010

*for identification purpose only

ATM Solution

Medical Treatment Solution

Rail Transit Solution

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive directors

Ling Chun Kwok
Dai Lin Ying
Wang Zhao Hui
An Jian

SUPERVISORS

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

COMPLIANCE OFFICER

Zhu Jun

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen *CPA, FAIA*

AUTHORIZED REPRESENTATIVES

Chen Zhi Lie
Tsui Chun Kuen *CPA, FAIA*

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LIAISON OFFICE IN HONG KONG

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

H SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

PRINCIPAL BANKER

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

LEGAL ADVISER TO THE COMPANY

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

COMPANY HOMEPAGE/WEBSITE

http://www.evoc.cn

STOCK CODE

2308

CORPORATE BACKGROUND

EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM (the "GEM") of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the GEM to the Main Board (the "Main Board") of the Stock Exchange on 12 July 2010. The Company and its subsidiaries (The "Group") are principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products. As at 31 December 2010, the registered capital of the company amounted to approximately RMB123 million with the Group's total assets to approximately RMB2.1 billion.

The Group is one of the leading domestic manufacturers of APA products in the PRC. APA is a computer system allowing users to adapt hardware and software applications to perform a dedicated function or a range of dedicated functions such as data processing, generating, interpreting and executing control signals, etc. and is embedded into a product, device or a larger system. APA products manufactured and distributed by the Group are widely applied in, among other, telecommunication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance industries. The Group offers APA products, which can be broadly classified by their distinctive functions and features into three categories, chassis-type APA products, board-type APA products and remote data modules.

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

Hu Jintao, President of China, visited EVOC

CHAIRMAN'S STATEMENT

Mine Safety Solution

Highway Electronic Toll Collection Solution

Oil Industrial Solution

Rail Transit Solution

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 "Group" or the "Group") for the year ended 31 December 2010 (the "Year") to our shareholders.

The Group engages in the research and development, manufacture and distribution of Advanced Process Automation ("APA") products since 1993 with a 18-year history of continuous operation. The Company's shares were listed on the 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 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. The board believes that the Main Board of the Stock Exchange of Hong Kong provides the Group with a broader platform for raising capital, which can further enhance the overall strength and profitability of the Group and bring larger returns to investors.

RESULT OF THE YEAR

The Group recorded a turnover of approximately RMB1,277,182,000 and a profit for the year of approximately RMB38,501,000 for the year ended 31 December 2010. The Group's core business and production were stable with a decrease in its profit margin as compared with that of last year due to increase in auxiliary business with a comparatively lower margin. The Group's profit attributable to owners of the Company was approximately RMB57,429,000. The decrease was mainly attribute from impairment loss in lease prepayment and impairment of goodwill on Wuxi project. The Group has continued focusing on research and development on new products. The management believes the new products will have good contribution to the Group in the coming future.

BUSINESS REVIEW

During the period under review, the Group continued to engage in the research and development, manufacture and distribution of APA products in China, and worked unswervingly to upgrade and transform Chinese traditional industries to facilitate their fast development by using information technology, artificial intelligence, digitalization and automation. As the sole member of INTEL ICA among APA manufacturers in Mainland China, and having established a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on application of embedded technology, the Group has good command of the latest development in the chip technology and dominance in deciding the formulation of standards for the Chinese APA industry, reflecting more clearly its overall competitive strength.

During the period, major economies worldwide have shown different degrees of recovery and growth after global financial tsunami. China's economy is set to sustain its recovery, particularly after the ultra-high surge in investment driven by the 4-trillion stimulation plan in 2009. In 2010, the overall investment in China will return to the normal track of growth, while the growth pace of IT industry will continue to rebound. In particular, investment in infrastructure focusing on energy (safety control of coal mines), transportation (railway transportation control), environmental protection (pollution sources monitoring), as well as the market size for 100-billion level terminal replacement brought by 3G mobile communication also maintain rapid growth, thereby providing the Group with a more extensive market and development opportunity. The Group has enhanced its market competitiveness via re-integration of internal management structure and structural adjustment, thereby achieving relatively satisfactory operating results during the period under review.

In 2007, the Group engaged in the construction and operation of service sub-contracting base project via the investment in 無錫深港國際服務外包產業發展有限公司 (formerly known as "Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited", hereunder "Wuxi Company"). During the period under review, the land planning for the service sub-contracting base project of Wuxi Company was changed by the Wuxi Land Resources Administration Bureau to include the construction of a runway across the middle of the land of width of more than 80 meters. Such construction has an adverse effect on the development of the land as it cuts the land into more segments which will affect the optimal usage of the land by the Wuxi Company. As a result, the Wuxi Company has been in negotiation with the Wuxi Land Resources Administration Bureau on the modification of the site area of the land from approximately 518,564 square meters to 215,221.1 square meters (i.e. decrease by approximately 303,342.9 square meters), and thus the total land premium payable by Wuxi Company to Wuxi Land Resources Administration Bureau for the land was changed from RMB362,000,000 to RMB150,220,000. Accordingly, the total contribution of the Group to Wuxi Company was changed from RMB717,898,100 to RMB396,205,100. The existing equity interest of the Group in the Wuxi Company will not be affected by the said reduction, and that such reduction will provide a saving of RMB321,693,000 to the Group, and the Group will have more working capital and cashflow for the development of its core business and other business. Upon considering the above factors, the Board is of the view that the above changes are in the interest of the Group and the shareholders as a whole.

RESEARCH & DEVELOPMENT

Riding on its core competitive strategies of "applying innovative proprietary capabilities to develop its own brands", the Group has been ahead of its competitors on product development and technology innovation, and has sustainable development capability to sustain steady growth in results. In 2010, the Group's spending in R&D accounted for approximately 3.9% of the total turnover, while acquiring the qualification for contracting INTEL CRB projects in the same period. The Group focused on R&D of the following new products during the period under review: high-performance embedded single board; green terminal TSC-2001 data acquisition and transmission apparatus; Communication manager TPS-CMU2001-8D; Micro-portable CPCI system; EVOC Patent Mainline Technology Series Computer Products (EVOC 專利總線技術系列整機); Multimedia Distribution Machine with low energy consumption and without fan (低功耗無風扇多媒體發佈專用機). The above products were all developed aiming at the demand for the application of APA market and its development trend, which possess a stronger application characteristics for different industries and better life cycle.

During the period, the construction of the Group's R&D/interim testing base in Shenzhen, China achieved good progress, and will be ready for use by 2012 as scheduled. With a site area exceeding 80,000 square meters and a gross floor area of 230,000 square meters, the R&D/interim testing base will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products. The Group has currently established the R&D structure comprising of one institute and four centers (Technology Institute, Shenzhen R&D Center, Beijing R&D Center, Shanghai R&D Center and Xian R&D Center). Upon the opening of the R&D/interim testing base, the Group will undergo further integration on its R&D structure in accordance with its development strategy and business plan, whereby the Group's R&D capabilities will probably be significantly strengthened and its overall market competitive edges will also be effectively enhanced.

PRODUCTS AND SALES

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

The Group will continue to adopt a marketing strategy and sales model with direct sales operation at the core and distributors to complement in the Mainland China. During the period under review, on the back of its three-dimensional distribution model formulated with industry sales, regional sales and product line sales as the core components, the Group has achieved excellent sales results and successfully captured market shares amidst the economic downturn. Upgrading and transformation of industry in China will soon replace infrastructure and become the main driver of the growth in demand for APA products. The Group has achieved good progress in the market exploration of railway transportation and 3G communication markets in China, and the value added in products has been raised gradually and become the major driving force for the growth of our high-end automation business.

During the period under review, the Group has commenced CRM (Customer Relationship Management) project, under which, customers are classified in accordance with their needs for the Group to provide differentiated customer strategies customized for respective groups. Such project could raise customer's loyalty and maintenance, reduce sales cycle, lower selling costs, increase income and expand market, thereby enhances the Group's profitability and market competitiveness entirely.

The "EVOC" trademark of the Group was identified as "Famous Trademark of China" by the State Administration for Trade and Industry, which is also the first famous trademark obtained by advanced process automation enterprise in China. The trademark enhanced the international influence for the "EVOC" trademark of the Group, and the effective protection of the Group's proprietary intellectual property rights and trademark brands. Over the same period, the Group was honored as "Most Recognized Knowledge-based Enterprise Ranking"as well as "Innovative Pilot Enterprise" and "New Brand in a Decade" by "Zhongguancun National Innovation Model Park".

OUTLOOK & PROSPECTS

As an evolving, innovative and popular field, APA covers the application of various technologies, including microelectronic technology, electronics information technology and computer software and hardware. Amidst the swift recovery of global information industry and the rapid development of various applications in respect of customer electronics, communication and automatic control system, the scale of global APA industry will maintain steady growth. With the fast development of Internet and introduction of new micro-processors, automatic control system will be extensively applied in diversified industry and various daily commodities in the future, and completely integrate into and change our daily life. In addition, the construction of information technology in China also induces tremendous demand on the APA product market.

The Board of the Group believes: APA industry can not only stimulate consumption but also achieve the requirements for industrial structure upgrading. Under the combined influence of the warming in the business environment and the industrial structure adjustment in China and a macro-policy environment for the promotion of consumption, APA industry will usher in a new round of great development. Some brands with strong strength will capture an even broader market. The Group will continue to take the initiatives to leverage on our strengths and resources, and adhere to our strategy involving in proprietary brand, technological innovation and overseas markets, and keep on strengthening its own core competition and expanding its business scale and profitability with an aim to consolidate our leading position in APA application and development in China.

APPRECIATION

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

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

For the year ended 31 December 2010, the Group's turnover was approximately RMB1,277,182,000, representing an increase of approximately 7.2% as compared to 2009.

Turnover by product categories

Sales of Products	2010 RMB'000	2009 RMB'000	Change Percentage
Board-type APA	398,231	418,231	-4.8%
Chassis-type APA	318,475	314,665	+1.2%
Remote data modules	18,503	18,483	+0.1%
APA products	735,209	751,379	-2.2%
Auxiliary services business	541,973	440,319	+23.1%
Total	1,277,182	1,191,698	+7.2%

Turnover by Geographical Location

Regions in China	2010 RMB'000	2009 RMB'000	Change Percentage
South China	862,543	810,145	+6.5%
North and Northeast China	194,780	164,922	+18.1%
East China	94,317	111,032	-15.1%
Southwest China	27,176	26,964	+0.8%
Northwest China	21,053	16,426	+28.2%
Export sales	77,313	62,209	+24.3%
Total	1,277,182	1,191,698	+7.2%

COST OF SALES

Cost of sales amounted to approximately RMB1,057,915,000, representing an increase of approximately 12.4%. The increase was mainly due to the increase in the price of raw materials and parts components.

GROSS PROFIT

The Group's gross profit for the year ended 31 December 2010 was approximately RMB219,267,000, representing a decrease of approximately 12.4%. The gross profit margin decreased from approximately 21.0% to approximately 17.2%.The decrease in gross profit margin was mainly due to increase in sales from auxiliary business with a comparatively lower margin.

OTHER INCOME

Other income for the year ended 31 December 2010 amounted to approximately RMB63,398,000 (2009: RMB70,024,000), representing a decrease of approximately 9.5%. The decrease was mainly due to the decrease in value-added tax concessions and government subsidies.

Selling & Distribution Costs

The selling and distribution costs were approximately RMB42,138,000 and RMB48,297,000 for current and previous period respectively, equivalent to approximately 3.3% and 4.1% of the Group's turnover in 2010 and 2009. The decrease was mainly attributable by the implementation of cost control on sales team in 2010.

Administrative Expenses

The administrative expenses were approximately RMB75,833,000 in 2010, representing a decrease of RMB5,368,000 or approximately 6.6% from about RMB81,201,000 in 2009. The decrease was mainly attributable by the implementation of cost control on general administrative expenses.

Research & Development Costs

The research and development costs were approximately RMB50,000,000, equivalent to approximately 3.9% of the Group's turnover in 2010. The research and development costs increased by approximately 0.7% from RMB49,664,000, equivalent to approximately 4.2% of the Group's turnover in 2009.

Finance Costs

Finance costs were approximately RMB56,912,000 in 2010, slightly decreased by approximately 10.1% from RMB63,294,000 in 2009. The decrease was mainly attributable to the repayment of bank borrowings during the year.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB57,429,000, while that of 2009 was approximately RMB78,167,000, representing a decrease of approximately 26.5%. The net profit margin has been dropped from 6.5% to 4.5%. The decrease was mainly attributable from approximately RMB17 million and RMB24 million impairment loss on lease prepayment and goodwill respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internal resources and external banking facilities from bankers in the PRC. As at 31 December 2010, the Group's gearing ratio were 52.7% (calculated on the basis of the Group's total liabilities over total assets) which was at similar level as previous year. At the year end date, the Group's total bank borrowings amounted to approximately RMB942 million (2009: RMB1,022 million). The Group's cash and bank balances as at 31 December 2010 decreased to approximately RMB1,280 million (2009: RMB1,317 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) decreased to 1.77 as at 31 December 2010 (2009: 1.94).

FOREIGN EXCHANGE EXPOSURES

Since most of the transactions of the Group were denominated in Renminbi, the Group did not expose to any material foreign currency risk on its operations during the year under review.

CONTINGENT LIABILITIES

The Group has no contingent liabilities at 31 December 2010.

PLEDGE OF ASSETS

At 31 December 2010, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximately RMB602,281,000 (2009: RMB296,817,000) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

CAPITAL STRUCTURE

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

MATERIAL EVENT

The Company transferred the listing of its shares from the GEM to the Main Board of the Stock Exchange on 12 July 2010. The transfer of listing did not involve the issue of any new shares of the Company.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had total workforce of 1,706 (2009: 1,932). Employee benefits during the year were RMB64 million. The Group recognizes the importance of high caliber and competent staff and has a strict recruitment policy and performance appraisal scheme.

The Group provides ongoing training programs for employees to keep them abreast of the latest market trends and new internet technologies as well as to enhance their knowledge of national quality standards. The Group also provides different training programs to its senior management to ensure the highest management skills and techniques.

The Group has adopted the PRC government's social security system that comprises retirement fund and medical insurance. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 47, the chairman and an executive director of the Group. He is the founder of the Company and is responsible for the overall strategy and planning for the business of the Company. Mr. Chen graduated with a bachelor degree of engineering in computer application from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He also obtained a master degree in computer science and computer engineering from the department of engineering in Northwestern Polytechnical University (西北工業大學) in 1990. Mr. Chen has over 23 years of experience in computer and automation of control systems. In February 2003, Mr. Chen was awarded the prize of Guangdong Province Outstanding Entrepreneur of Domestic-owned Enterprises (廣東省優秀民營企業家) by Guangdong Province Government (廣東省人民政府). Mr. Chen was accredited as "Manager of Edges in Comprehensive Quality Control (全面質量管理優勢管理者)" by Quality Association of Shenzhen and as "Excellent Small Medium Enterprise of Shenzhen (深圳市優秀中小企業家)" by Association for Small Medium Enterprises of Shenzhen in 2004. In 2005, Mr. Chen was elected as a Member of the Executive Committee of the Fourth Chinese People's Political Consultative Conference of Shenzhen (深圳市第四屆政協常委). In 2007, Mr. Chen was elected as a member of Guangdong Political Consultative Conference (廣東省政協委員). In 2008, Mr. Chen was accredited as 2007 CCTV's Man of the Year in Chinese Economics and awarded the prize of Innovation of the Year. In 2010, Mr. Chen was elected as a Nation commissar of the Chinese People's Political Consultative Conference (CPPCC).

Tso Cheng Shun (曹成生), aged 82, 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 49, 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 49, an independent non-executive director and the Chairman of the audit committee of the group. Mr. Ling graduated from the University of Hong Kong with a bachelor degree of Accounting in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. Mr. Ling has over 20 years of experience in auditing, financial management and corporate finance in Hong Kong and in the People's Republic of China. Before joining the Company, he worked as the financial controller and company secretary in China Eco-Farming Ltd. (formerly known as Linefan Technology Holdings Limited) (stock code: 8166) and China Metal Resources Holdings Ltd. (stock code: 8071), which are both listed companies on Stock Exchange. He is currently working as a senior consultant in Wangrise Consultants Limited.

Dai Lin Ying (戴琳瑛), aged 47, an independent non-executive director of the group. She graduated from Heilongjiang Business School (黑龍江商學院) in 1985 with a bachelor degree in Economics, and obtained her EMBA degree from China Europe International Business School in 2006. Ms. Dai possesses more than 18 years of experience in strategic planning and corporate management. Ms. Dai joined Shenzhen China Resources Supermarket Company Limited (深圳華潤超級市場有限公司) in 1991 as manager of its procurement department. Subsequently, she took up senior management positions in the Mainland and Hong Kong divisions of China Resources Vanguard Company Limited. She is currently general manager of the Olé Lifestyle Center of China Resources Vanguard Company Limited.

Wang Zhao Hui (王昭輝), aged 42, an independent non-executive director, a member of audit committee and the Chairman of remuneration and review committee of the group. He graduated from Chongqing University (重慶大學) in 1989 in Precise Electrical Measurement (精密電測專科) in the Department of Electrical Engineering (電器工程系), and obtained his EMBA degree from China Europe International Business School in 2006. Mr. Wang possesses more than 16 years of experience in marketing and corporate management. He is currently executive director and general manager of Shenzhen HYP Industries Limited (深圳市恒盈普泰實業有限公司).

An Jian (安健), aged 42, an independent non-executive director, a member of audit committee and a member of remuneration and review committee of the group. 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 17 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 45, 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 20 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 40, 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 19 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 35, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He is a shareholder of Shenzhen Haoxuntong Industry Company Limited and has over 14 years of experience in management and administration.

Wen Bing (聞冰), aged 49, an independent supervisor of the Company. Mr. Wen obtained a bachelor degree in computer studies from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He has over 24 years of experience in computer engineering and had held various senior positions in state-owned enterprises and transnational corporation. He is currently an executive director and the general manager of ETechsoft Co., Ltd. (深圳市欣軼天科技有限公司) as well as the general manager and chief technical officer of Televoice China (Shenzhen) Limited (聲訊亞洲中國公司).

Dong Li Xin (董立新), aged 51, an independent supervisor of the Company. Mr. Dong graduated from Tsinghua University (清華大學) in the PRC with a bachelor degree in automation in 1984 and he currently holds a managerial position in the engineering department in Shenzhen World Miniature Co. Ltd. in the PRC.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 60, 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 22 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 37, is the general manager and is the head of research and development department of the Company. He joined the Company since 1999 and has served as software engineer, BIOS engineers, software manager, departmental head of technology R&D and vice president. He took up the general manager duties in 2010. Mr. Liu is a certificate holder in computer and the application from Nanchang University (南昌大學), and he obtained senior programmer qualifications of China Computer Application Software Practitioner Standard Examinations Board (中國計算機應用軟體人員水平考試委員會) in 1996. Mr. Liu has over 17 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 44, 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 16 years of experience in the quality control of electronic products. He joined the Company in July 1999.

Wang Zhen Zun (王振俊), aged 46, the assistant general manager of the Company. He is responsible for the overall sales and marketing functions of the Company. Mr. Wang obtained a bachelor degree in engineering with a major in automation of control from the automated control faculty of Beijing Industrial College (中國北京工業學院) in the PRC in 1986. Mr. Wang possesses strong technical expertise in automation technology and has over 15 years of experience in the sales and marketing of computer-based industrial automation products. Mr. Wang joined the Company in October 1995.

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 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of Advanced Process Automation products ("APA products"). Details of the principal activities of the subsidiaries are set out in note 20 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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 82.

The directors do not recommend the payment of final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB540,479,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 36.17% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 17.41% of the Group's revenue for the year. 51.39% 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 46.74% 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:

Wang Tian Xiang	Resigned on 3 June 2010
Ling Chun Kwok	Appointed on 3 June 2010
Dai Lin Ying	
Wang Zhao Hui	
An Jian	

Supervisors:

Pu Jing *(Chairman)*	Re-appointed on 28 May 2010
Zhan Guo Nian	
Zhang Zheng An	
Wen Bing	Appointed on 28 May 2010
Dong Lixin	Appointed on 28 May 2010

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

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 2010, the interest and short positions of the Directors, supervisors (the "Supervisors") and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors as set out to in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position — interests in the Company

Director	Type of interests	Number of Shares	Class of Shares	Approximate percentage of holding of the relevant class of shares of the Company	Approximate percentage of holding of the total share capital of the Company
Chen Zhi Lie (陳志列)	Interest in a controlled corporation	878,552,400 (Note 1)	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列)	Interest in a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

Notes:

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

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

(b) Long position — interests in associated corporations

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Long positions in shares

Name of shareholder of the Company	Nature and capacity in holding shareholding interest	Number of shares	Class of Shares	Percentage of the relevant class of shares	Percentage of total registered share capital
EVOC Hi-Tech. Holding Group Co., Ltd. (Note 1)	Registered and beneficial owner of the Domestic Shares	878,552,400	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列) (Note 1)	Interest in 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 in a controlled corporation	46,239,600	Domestic Shares	5.00%	3.75%

Notes:

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

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

Save as disclosed above:

(i) As at 31 December 2010, none of the directors, supervisors or chief executives has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (if any) (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (including interest which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and

(ii) So far as is known to any director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 December 2010, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

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

SHARE OPTION SCHEME

Up to 31 December 2010, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealing and the code of conduct for directors' securities transactions during the year ended 31 December 2010.

COMPETING INTERESTS

None of the directors, initial management shareholders or any of their respective associates (as defined in the Listing Rules) had any interests in any business which compete or is likely to compete with the business or Group, and none of them has other conflicts of interest 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.

DONATIONS

During the year the Group made charitable and other donations amounting to approximately HK$1,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

BANK BORROWINGS

As at 31 December 2010, 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 of Association and the related laws of the PRC, which oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had authorised but not contracted for and contracted but not provided for were approximately RMB810,095,000 (2009: RMB556,004,000) and RMB399,361,000 (2009: RMB48,144,000) respectively, in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of production plants, office and research and development building and staff quarters in Guangming, Shenzhen, the PRC.

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 2011

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period from 1 January 2010 to 31 December 2010.

THE BOARD

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

The main responsibilities of the board include:

1. To implement resolutions of the general meetings;

2. To lay down the Group's management policies business strategies and investment plan;

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

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

5. To review approve the appointment of auditor of the Group;

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

BOARD COMPOSITION

The board comprises seven directors, with three executive directors and four independent non-executive directors. The biographical details of all directors are set out in pages 11 to 13 of this Annual Report.

The term of office of Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian, all being the independent non-executive directors, is three years commencing from 10 October 2009 and the term of office of Mr. Ling Chun Kwok as an independent non-executive director is from 3 June 2010 to the date of the Company's annual general meeting in 2011. All of the independent non-executive directors shall be eligible for re-election upon expiry of the term.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CHAIRMAN AND GENERAL MANAGER

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

BOARD MEETING

The board meets regularly and 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 seven full board meetings in the financial year ended 31 December 2010. The directors participated in person or through electronic means of communication. The following is an attendance record of the meetings by each director:

		Number of meetings attended/ held during the director's term of office		
		Board	**Audit committee**	**Remuneration committee**
Executive directors:				
Chen Zhi Lie *(Chairman)*		7/7	—	—
Tso Cheng Shun		7/7	—	—
Zhu Jun		7/7	—	1/1
Independent non-executive directors:				
Wang Tian Xiang	Resigned on 3 June 2010	5/7	2/2	—
Ling Chun Kwok	Appointed on 3 June 2010	2/7	1/1	—
Dai Lin Ying		7/7	—	—
Wang Zhao Hui		7/7	3/3	1/1
An Jian		7/7	3/3	1/1

BOARD COMMITTEES

The Company has established an audit committee and a remuneration committee The function of each specialized committee is to study pertinent issues in its area of expertise and to provide opinions and suggestions for consideration by the Board under defined terms of reference.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises one executive director, Mr. Zhu Jun. and two independent non-executive directors. Mr. Wang Zhao Hui and Mr. An Jian. Mr. Wang Zhao Hui is the chairman of the remuneration committee. Written terms of reference of the remuneration committee which comply with the code provisions set out in the Code has been adopted by the Board. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board. The remuneration committee held one meeting during the year ended 31 December 2010.

DIRECTORS' REMUNERATION

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

NOMINATION OF DIRECTORS AND TERM OF OFFICE

The Company does not have a nomination committee. All the Company's directors have been appointed for a term of office for three years. The board is empowered under the Articles of Association of the Company to appoint any person as a director to fill a causal vacancy.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Wang Zhao Hui and Mr. An Jian. Mr. Ling Chun Kwok is the chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 2010.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, the auditor's remuneration for audit services is approximately HK$860,000 (2009:HK$780,000). Other than audit, no services such as due diligence and other advisory services were provided.

EMOLUMENT POLICY

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

INTERNAL CONTROL

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

INVESTORS RELATIONS

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

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

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

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

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

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

By order of the Supervisory Committee
Pu Jing
Chairperson

Shenzhen, the PRC, 30 March 2011

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF 研祥智能科技股份有限公司
(known as EVOC Intelligent Technology Company Limited for identification purpose only)
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of EVOC Intelligent Technology Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 27 to 82, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 2010 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, 30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**1,277,182**	1,191,698
Cost of sales		**(1,057,915)**	(941,364)
Gross profit		**219,267**	250,334
Other income	7	**63,398**	70,024
Selling and distribution costs		**(42,138)**	(48,297)
Administrative expenses		**(75,833)**	(81,201)
Other operating expenses		**(61,244)**	(55,395)
Other gains and losses	8	**(12,173)**	(8,258)
Finance costs	9	**(56,912)**	(63,294)
Profit before income tax	10	**34,365**	63,913
Income tax credit/(expense)	12(a)	**4,136**	(1,130)
Profit for the year		**38,501**	62,783
Other comprehensive income, after tax			
Surplus on revaluation of buildings	16 & 29	**6,849**	5,522
Exchange differences on translating foreign operations		**166**	(40)
Release of statutory surplus reserve upon deregistration of a branch of the Company		**—**	(154)
Other comprehensive income for the year, net of tax		**7,015**	5,328
Total comprehensive income for the year		**45,516**	68,111
Profit attributable to:			
— Owners of the Company	13	**57,429**	78,167
— Non-controlling interests		**(18,928)**	(15,384)
		38,501	62,783
Total comprehensive income attributable to:			
— Owners of the Company		**64,444**	83,495
— Non-controlling interests		**(18,928)**	(15,384)
		45,516	68,111
Earnings per share — Basic and diluted (RMB)	15	**0.047**	0.063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	16	437,124	303,599
Investment properties	17	95,183	72,175
Payments for leasehold land held for own use under operating leases	18	428,320	1,012,989
Goodwill	19	—	24,470
Deferred tax assets	29	2,719	1,207
Total non-current assets		963,346	1,414,440
Current assets			
Inventories	21	36,644	92,299
Payments for leasehold land held for own use under operating leases	18	12,652	29,904
Trade receivables	22	157,418	128,200
Bills receivable	22	54,931	20,922
Other receivables, deposits and prepayments	23	30,906	29,442
Income tax receivable		64	25
Cash and bank balances	25	1,279,692	1,317,366
Total current assets		1,572,307	1,618,158
Current liabilities			
Trade payables	26	109,038	84,570
Bills payable	26	18,035	14,098
Other payables and accruals	27	179,800	280,802
Bank borrowings	28	579,000	446,000
Income tax payable		842	7,990
Total current liabilities		886,715	833,460
Net current assets		685,592	784,698
Total assets less current liabilities		1,648,938	2,199,138
Non-current liabilities			
Other payables and accruals	27	5,000	—
Bank borrowings	28	362,828	576,000
Deferred tax liabilities	29	82,322	188,514
Total non-current liabilities		450,150	764,514
NET ASSETS		1,198,788	1,434,624

	Notes	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(a)	**740,942**	676,498
Equity attributable to owners of the Company		**864,256**	799,812
Non-controlling interests		**334,532**	634,812
TOTAL EQUITY		**1,198,788**	1,434,624

On behalf of the Board

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	16	**305,298**	258,381
Investment properties	17	**102,383**	78,155
Payments for leasehold land held for own use under operating leases	18	**58,721**	54,392
Investments in subsidiaries	20	**252,760**	250,210
Total non-current assets		**719,162**	641,138
Current assets			
Inventories	21	**19,180**	91,572
Payments for leasehold land held for own use under operating leases	18	**1,250**	1,146
Trade receivables	22	**35,218**	31,786
Bills receivable	22	**37,243**	9,564
Other receivables, deposits and prepayments	23	**15,567**	16,798
Amounts due from subsidiaries	24	**40,959**	56,633
Income tax receivables		**—**	3
Cash and bank balances	25	**1,223,273**	1,153,906
Total current assets		**1,372,690**	1,361,408
Current liabilities			
Trade payables	26	**41,177**	40,661
Bills payable	26	**18,035**	14,098
Other payables and accruals	27	**117,582**	40,229
Amounts due to subsidiaries	24	**109,218**	125,019
Bank borrowings	28	**579,000**	416,000
Income tax payable		**467**	796
Total current liabilities		**865,479**	636,803
Net current assets		**507,211**	724,605
Total assets less current liabilities		**1,226,373**	1,365,743
Non-current liabilities			
Other payables and accruals	27	**5,000**	—
Bank borrowings	28	**362,828**	576,000
Deferred tax liabilities	29	**28,948**	27,048
Total non-current liabilities		**396,776**	603,048
NET ASSETS		**829,597**	762,695

	Notes	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**123,314**	123,314
Reserves	31(b)	**706,283**	639,381
TOTAL EQUITY		**829,597**	762,695

On behalf of the Board

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Properties revaluation reserve RMB'000 (Note 31)	Translation reserve RMB'000 (Note 31)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2009	**123,314**	**8,586**	**64,033**	**74,398**	**565**	**445,421**	**716,317**	**650,196**	**1,366,513**
Profit for the year	–	–	–	–	–	78,167	78,167	(15,384)	62,783
Other comprehensive income for the year	–	–	(154)	5,522	(40)	–	5,328	–	5,328
Total comprehensive income for the year	–	–	(154)	5,522	(40)	78,167	83,495	(15,384)	68,111
Balance at 31 December 2009 and at 1 January 2010	**123,314**	**8,586**	**63,879**	**79,920**	**525**	**523,588**	**799,812**	**634,812**	**1,434,624**
Profit for the year	–	–	–	–	–	57,429	57,429	(18,928)	38,501
Other comprehensive income for the year	–	–	–	6,849	166	–	7,015	–	7,015
Total comprehensive income for the year	–	–	–	6,849	166	57,429	64,444	(18,928)	45,516
Reduction in capital contribution and reserve of a subsidiary (Note 18(d))	–	–	–	–	–	–	–	(281,352)	(281,352)
Transfer between reserves	–	–	9,797	–	–	(9,797)	–	–	–
Balance at 31 December 2010	**123,314**	**8,586**	**73,676**	**86,769**	**691**	**571,220**	**864,256**	**334,532**	**1,198,788**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RMB'000	2009 RMB'000
Cash flows from operating activities		
Profit before income tax	34,365	63,913
Adjustments for:		
Depreciation and amortisation	60,334	62,418
Interest expenses	55,932	60,077
Impairment loss on goodwill	24,470	—
Impairment loss on lease prepayments	16,958	—
Impairment loss/(reversal of impairment loss) on trade receivables	3,539	(2,772)
Loss on disposal of property, plant and equipment	375	441
Valuation (gain)/losses on investment properties	(398)	8,258
(Reversal of impairment/impairment loss of inventories	(414)	1,763
Interest income	(22,266)	(22,347)
Gain on disposal of interests in leasehold land	(28,857)	—
Gain on deregistration of a branch of the Company	—	(154)
Operating profit before working capital changes	144,038	171,597
Increase/(decrease) in other payables and accruals	115,749	(22,080)
Decrease/(increase) in inventories	56,069	(4,434)
Increase/(decrease) in trade payable	24,454	(28,387)
Increase in bills payables	3,937	999
(Increase)/decrease in other receivables, deposits and prepayments	(1,512)	2,409
(Increase)/decrease in trade receivables	(32,684)	18,316
Increase in bills receivable	(34,009)	(11,781)
Cash generated from operations	276,042	126,639
Income tax paid	(13,439)	(9,132)
Net cash generated from operating activities	262,603	117,507
Cash flows from investing activities		
Increase in time deposits with original maturity of more than three months when acquired	(235,000)	(80,000)
Purchase of property, plant and equipment	(197,909)	(30,074)
Increase in pledged bank balances	(17,059)	—
Payment for acquisition of prepaid land lease	(5,626)	(46,047)
Proceeds from disposal of property, plant and equipment	16,911	2,893
Interest received	22,266	22,347
Refund from a subcontractor	—	44,804
Net cash used in investing activities	(416,417)	(86,077)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		(746,000)	(988,000)
Interest paid		(55,932)	(60,077)
Proceeds from new bank borrowings raised		665,828	1,230,000
Net cash (used in)/generated from financing activities		(136,104)	181,923
Net (decrease)/increase in cash and cash equivalents		(289,918)	213,353
Cash and cash equivalents at beginning of year		407,337	193,988
Effect of foreign exchange rate changes		185	(4)
Cash and cash equivalents at end of year		117,604	407,337
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	25	117,604	407,337

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.

The Group, comprising the Company and its subsidiaries, is principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products in the PRC. The principal activities of the subsidiaries are set out in Note 20 to the consolidated financial statements.

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

(a) Adoption of new or revised HKFRSs — effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment-Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in note 4(a) to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

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

(a) Adoption of new or revised HKFRSs — effective 1 January 2010 (Continued)

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The adoption of amendment to HKAS 17 "Leases" had no material impact on the consolidation financial statements.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(1) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of this Interpretation has had no impact on the consolidated financial statements.

(b) New or 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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfer of Financial Assets[3]
Amendments to HKAS 12	Deferred tax — Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2012

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

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

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

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

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

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

The Group is in the process of making an assessment of the potential impact on these new or revised HKFRSs and the directors so far concluded that the adoption these new or revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

3. BASIS OF PREPARATION (Continued)

(c) Functional and presentation currency

Items included in the financial statements of each group entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements, the results and financial position of each group entity are presented in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Business combination from 1 January 2010

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 interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Business combination from 1 January 2010 (Continued)

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

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

Business combination prior to 1 January 2010

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

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

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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

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

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

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

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

(e) 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.

(f) Payments for leasehold land held for own use under operating leases

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing

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

The Group as lessor

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

The Group as lessee

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

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

(h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment loss on financial assets

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

— significant financial difficulty of the debtor;

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities as financial liabilities at amortised costs, which are initially measured at fair value, net of directly attributable costs incurred.

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

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

(iv) Effective interest method

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

(v) 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.

(j) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

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

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

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

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

(l) Income taxes

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies

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

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

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

(n) Employees' benefits

(i) Defined contribution retirement plan

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

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

(ii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of other assets

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

— property, plant and equipment under cost model;

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

— investments in subsidiaries.

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

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

(p) Capitalisation of borrowing costs

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

(q) Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities

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

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

(s) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

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.

Revaluation of investment properties and building

In determining the fair values of investment properties and building, 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.

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

(b) Key sources of estimation uncertainty

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

Estimated impairment of lease prepayments and construction in progress

The impairment loss for lease prepayments and construction in progress is recognised when the amount by which the carrying amount exceeds its estimated recoverable amount in accordance with the accounting policies stated in notes 4(d) and 4(o) to the consolidated financial statements. The recoverable amounts have been determined based on the valuation conducted by independent firm of professional valuer, 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 makes allowance for impairment of trade and other receivables loss is recognised and estimated when the recoverability of the outstanding debts is uncertain after taking into account various consideration including the age of the debts, creditworthiness, historical track records for 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.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

During the years ended 31 December 2010 and 2009, the Group principally operated in one reportable business segment only, which is the research, development, manufacture and distribution of APA products. All operating assets and business activities of the Group were located and conducted predominantly in the PRC.

The Group's revenue from external customers is principally derived from its operations in the PRC. The Group's customer base is diversified and there was only one external customer with whom transactions have exceeded 10% of the Group's revenue, representing turnover of approximately RMB223,341,000 (2009: RMB145,158,000).

7. TURNOVER AND OTHER INCOME

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

	2010 RMB'000	2009 RMB'000
Turnover		
Sales of APA products	**1,277,182**	1,191,698
Other income		
Bank interest income	**22,266**	22,347
Value-added tax ("VAT") concessions (note (a))	**19,553**	21,171
Gross rentals from investment properties	**30,126**	21,121
Less: direct operating expenses (including repairs and maintenance) arising on rental income from investment properties	**(17,266)**	(13,716)
	12,860	7,405
Government subsidies (note (b))	**3,435**	13,436
Sub-contracting income	**7**	2,311
Gain on deregistration of a branch of the Company	**—**	154
Sundry income	**5,277**	3,200
	63,398	70,024
Total revenue	**1,340,580**	1,261,722

Notes:

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

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

8. OTHER GAINS AND LOSSES

	2010 RMB'000	2009 RMB'000
Gain on disposal of interests in leasehold land, net	**28,857**	—
Impairment loss on goodwill	**(24,470)**	—
Impairment loss on lease prepayments	**(16,958)**	—
Valuation gains/(losses) on investment properties	**398**	(8,258)
	(12,173)	(8,258)

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expenses on bank borrowings:		
— Wholly repayable within five years	**40,111**	42,541
— Not wholly repayable within five years	**15,821**	17,536
Total interest expenses	**55,932**	60,077
Bank charges	**674**	2,355
Others	**306**	862
	56,912	63,294

10. PROFIT BEFORE INCOME TAX

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

	2010 RMB'000	2009 RMB'000
Auditor's remuneration	**900**	700
Cost of inventories recognised as an expense (Note (a))	**1,057,915**	941,364
Depreciation of property, plant and equipment	**30,707**	32,514
Amortisation of payments for leasehold land held for own use under operating leases	**29,627**	29,904
Foreign exchange difference, net	**306**	832
Loss on disposal of property, plant and equipment, net	**375**	441
Impairment loss/(reversal of impairment loss) on trade receivables	**3,539**	(2,772)
Minimum lease payments under operating leases	**10,010**	12,643
Research and development costs (Note (b))	**48,254**	44,495
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	**57,982**	62,868
Contributions to retirement benefits schemes	**6,225**	5,961
	64,207	68,829

Notes:

(a) Cost of inventories sold includes staff costs and depreciation of RMB8,424,000 (2009: RMB11,678,000) and RMB5,513,000 (2009: RMB5,319,000) respectively.

(b) Research and development costs excludes depreciation charge of RMB4,584,000 (2009: RMB5,169,000).

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

The emoluments paid or payable to directors are as follows:

	2010 RMB'000	2009 RMB'000
Fees	53	48
Other emoluments:		
Salaries, allowances and benefits in kind	174	174
Contributions to retirement benefits schemes	23	17
	197	191
	250	239

(a) Independent non-executive directors

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

	2010 RMB'000	2009 RMB'000
Mr An Jian	12	3
Ms Dai Lin Ying	12	3
Mr Ling Chun Kwok (Note (i))	12	—
Mr Wang Tian Xiang (Note (ii))	5	12
Mr Wang Zhao Hui	12	3
Mr Dong Li Xin	—	9
Mr Wen Bing	—	9
Ms Zhou Hong	—	9
	53	48

Notes:

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

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

There were no other emoluments payable to the independent non-executive directors during the reporting period (2009: nil).

11. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Executive directors

The remuneration of executive directors during the reporting period is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
2010				
Mr Chen Zhi Lie	**—**	**77**	**11**	**88**
Mr Tso Cheng Shun	**—**	**20**	**—**	**20**
Mr Zhu Jun	**—**	**77**	**12**	**89**
	—	**174**	**23**	**197**
2009				
Mr Chen Zhi Lie	—	77	7	84
Mr Tso Cheng Shun	—	20	—	20
Mr Zhu Jun	—	77	10	87
	—	174	17	191

(c) Supervisors

The remuneration of supervisors during the reporting period is set out below:

	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
2010			
Ms Pu Jing	**20**	**10**	**30**
Mr Zhan Guo Nian	**20**	**3**	**23**
Mr Zhang Zheng An	**20**	**5**	**25**
Mr Dong Li Xin	**12**	**—**	**12**
Mr Wen Bing	**6**	**—**	**6**
	78	**18**	**96**
2009			
Ms Pu Jing	20	9	29
Mr Zhan Guo Nian	20	2	22
Mr Zhang Zheng An	20	5	25
	60	16	76

(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 (2009: 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.

11. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(e) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, none of them were directors or supervisors of the Company in respect of the reporting period. The remuneration of the five (2009: five) highest paid employees, who are neither directors nor supervisors, during the reporting period were as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	**954**	849
Contributions to retirement benefit schemes	**39**	38
	993	887

During the year ended 31 December 2010, the five non-director, highest paid employees of the Group received emoluments of RMB533,000, RMB146,000, RMB112,000, RMB101,000 and RMB101,000. During the year ended 31 December 2009, the five non-director, highest paid employees of the Group received emoluments of RMB454,000, RMB122,000, RMB110,000, RMB109,000 and RMB92,000.

The emoluments of each of the above highest paid employees, who are neither directors nor supervisors, were all within the band from HK$ nil to HK$1,000,000 (equivalent to RMB856,000) for the years ended 31 December 2010 and 2009.

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 (2009: nil).

12. INCOME TAX CREDIT/(EXPENSE)

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

	2010 RMB'000	2009 RMB'000
Current tax — PRC		
Provision for the year	**(4,862)**	(7,251)
(Under)/Over-provision in respect of prior year	**(1,390)**	1,239
	(6,252)	(6,012)
Deferred taxation (Note 29)		
Origination and reversal of temporary differences, net	**10,388**	6,738
Charge in tax rate	**—**	(1,856)
	10,388	4,882
Total income tax credit/(expense)	**4,136**	(1,130)

In accordance with the PRC Enterprise Income Tax Law effective from 1 January 2008, certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward are entitled to 50% relief on the income tax in the following three years. Certain subsidiaries are still entitled to preferential tax treatments and gradually be subject to the new tax rate over a five-year transitional period to 2012. These subsidiaries are subject to income tax rates ranging from 11% to 25% (2009: 10% to 25%) during the reporting period.

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

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the years ended 31 December 2010 and 2009 as there were no estimated assessable profits arose for both years.

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

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

	2010 RMB'000	2009 RMB'000
Profit before income tax	**34,365**	63,913
Tax at applicable tax rate at 25% (2009: 25%)	**(8,591)**	(15,978)
Effect of tax exemption and reduction	**17,089**	10,097
Tax effect of non-taxable income	**7,315**	11,068
Tax effect of non-deductible expenses	**(8,550)**	(1,563)
Effect on change in tax rates	**—**	(1,856)
Deferred tax assets not recognised, net	**(4,353)**	(4,596)
Utilisation of tax loss previously not recognised	**2,616**	459
(Under)/Over-provision in respect of prior year	**(1,390)**	1,239
Total income tax credit/(expense)	**4,136**	(1,130)

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes an amount of RMB60,110,000 (2009: RMB145,106,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

15. EARNINGS PER SHARE

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

	Group	Company
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	57,429	78,167
Weighted average number of domestic and H shares in issue	1,233,144,000	1,233,144,000
Basic earnings per share (RMB)	0.047	0.063

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

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:							
As at 1 January 2009	179,936	40,709	43,214	71,195	14,271	74,364	423,689
Reclassification (Note a)	(5,698)	3,465	—	2,793	—	—	560
Additions	—	18	1,941	14,090	299	13,726	30,074
Transfer to investment properties (Note b)	(23,392)	(5,243)	—	—	—	—	(28,635)
Transfer from investment properties (Note b)	5,878	—	—	—	—	—	5,878
Adjustments (Note c)	—	—	—	—	—	(44,804)	(44,804)
Disposals	—	(1,611)	(1,128)	(4,845)	(94)	—	(7,678)
Revaluation surplus	2,801	—	—	—	—	—	2,801
As at 31 December 2009	159,525	37,338	44,027	83,233	14,476	43,286	381,885
Additions	—	171	55	4,233	239	193,211	197,909
Transfer to investment properties (Note b)	(22,050)	(4,572)	—	—	—	—	(26,622)
Disposals	—	(1,262)	(23,783)	(13,126)	(753)	—	(38,924)
Revaluation surplus	3,442	—	—	—	—	—	3,442
As at 31 December 2010	140,917	31,675	20,299	74,340	13,962	236,497	517,690
Accumulated depreciation:							
As at 1 January 2009	—	12,541	11,563	22,966	4,097	—	51,167
Reclassification (Note a)	(406)	2,625	—	1,455	—	—	3,674
Charge for the year	2,363	9,036	3,913	14,686	2,516	—	32,514
Transfer to investment properties (Note b)	(1,000)	(2,768)	—	—	—	—	(3,768)
Written back on disposal	—	(1,611)	(404)	(2,304)	(25)	—	(4,344)
Eliminated on revaluation	(957)	—	—	—	—	—	(957)
As at 31 December 2009	—	19,823	15,072	36,803	6,588	—	78,286
Charge for the year	3,795	7,647	3,201	13,529	2,535	—	30,707
Transfer to investment properties (Note b)	(1,018)	(2,994)	—	—	—	—	(4,012)
Written back on disposal	—	(162)	(13,509)	(7,411)	(556)	—	(21,638)
Eliminated on revaluation	(2,777)	—	—	—	—	—	(2,777)
As at 31 December 2010	—	24,314	4,764	42,921	8,567	—	80,566
Carrying values:							
As at 31 December 2010	140,917	7,361	15,535	31,419	5,395	236,497	437,124
As at 31 December 2009	159,525	17,515	28,955	46,430	7,888	43,286	303,599

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation:							
As at 1 January 2009	179,936	39,828	43,203	64,760	13,032	—	340,759
Reclassification (Note a)	(5,698)	3,465	—	2,793	—	—	560
Additions	—	—	1,941	12,287	176	9,579	23,983
Transfer to investment properties (Note 17)	(23,392)	(5,243)	—	—	—	—	(28,635)
Disposals	—	(1,611)	(1,117)	(3,710)	(94)	—	(6,532)
Revaluation surplus	2,699	—	—	—	—	—	2,699
As at 31 December 2009	153,545	36,439	44,027	76,130	13,114	9,579	332,834
Additions	—	—	55	3,609	—	106,100	109,764
Transfer to investment properties (Note b)	(22,050)	(4,572)	—	—	—	—	(26,622)
Disposals	—	(887)	(23,783)	(11,599)	(625)	—	(36,894)
Revaluation surplus	2,223	—	—	—	—	—	2,223
As at 31 December 2010	133,718	30,980	20,299	68,140	12,489	115,679	381,305
Accumulated depreciation:							
As at 1 January 2009	—	12,417	11,563	21,388	3,707	—	49,075
Reclassification (Note a)	(406)	2,625	—	1,455	—	—	3,674
Charge for the year	2,069	8,788	3,913	12,847	2,267	—	29,884
Transfer to investment properties (Note b)	(1,000)	(2,768)	—	—	—	—	(3,768)
Written back on disposal	—	(1,611)	(404)	(1,709)	(25)	—	(3,749)
Eliminated on revaluation	(663)	—	—	—	—	—	(663)
As at 31 December 2009	—	19,451	15,072	33,981	5,949	—	74,453
Charge for the year	3,496	7,441	3,201	12,251	2,230	—	28,619
Transfer to investment properties (Note b)	(1,018)	(2,994)	—	—	—	—	(4,012)
Written back on disposal	—	—	(13,509)	(6,574)	(492)	—	(20,575)
Eliminated on revaluation	(2,478)	—	—	—	—	—	(2,478)
As at 31 December 2010	—	23,898	4,764	39,658	7,687	—	76,007
Carrying values:							
As at 31 December 2010	133,718	7,082	15,535	28,482	4,802	115,679	305,298
As at 31 December 2009	153,545	16,988	28,955	42,149	7,165	9,579	258,381

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

(b) For the year ended 31 December 2010 and 2009, certain previously self-occupied properties with total carrying amounts of RMB22,610,000 (2009: RMB24,867,000) have been leased out under operating leases. No previously leased out properties have been occupied for self use during the year ended 31 December 2010 (2009: carrying amount of RMB5,878,000).

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

(d) The buildings held by the Group and the Company were valued at 31 December 2010 and 2009 by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors, were made on an open market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable transaction available in the relevant market. The revaluation surplus net of applicable deferred taxes was credited to properties revaluation reserve.

Had the revalued buildings been measured at historical cost less accumulated depreciation, the carrying values of the Group and the Company as at 31 December 2010 would have been RMB55,144,000 (2009: RMB67,099,000) and RMB53,059,000 (2009: RMB65,248,000) respectively.

(e) As at 31 December 2010, the Group and the Company had pledged the buildings and certain construction in progress with total carrying values of RMB140,917,000 (2009: RMB159,525,000) and RMB115,680,000 (2009: RMB9,579,000) respectively, to secure banking facilities granted to the Group and the Company. A building held by the Group and the Company with a carrying value of RMB7,200,000 has been released subsequent to the end of reporting period.

(f) All buildings held by the Group and the Company buildings were located in the PRC and were held under medium term leases. Buildings of the Group and the Company with total carrying amounts of RMB133,717,000 (2009: RMB153,545,000) were not freely transferable.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

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

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basis of carrying values:							
At valuation	140,917	—	—	—	—	—	140,917
At cost	—	7,361	15,535	31,419	5,395	236,497	296,207
As at 31 December 2010	140,917	7,361	15,535	31,419	5,395	236,497	437,124
At valuation	159,525	—	—	—	—	—	159,525
At cost	—	17,515	28,955	46,430	7,888	43,286	144,074
As at 31 December 2009	159,525	17,515	28,955	46,430	7,888	43,286	303,599

Company

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
Basis of carrying values:							
At valuation	133,718	—	—	—	—	—	133,718
At cost	—	7,082	15,535	28,482	4,802	115,679	171,580
As at 31 December 2010	133,718	7,082	15,535	28,482	4,802	115,679	305,298
At valuation	153,545	—	—	—	—	—	153,545
At cost	—	16,988	28,955	42,149	7,165	9,579	104,836
As at 31 December 2009	153,545	16,988	28,955	42,149	7,165	9,579	258,381

17. INVESTMENT PROPERTIES

	2010 Group RMB'000	2010 Company RMB'000	2009 Group RMB'000	2009 Company RMB'000
Carrying amount, at fair values				
At beginning of year	**72,175**	**78,155**	58,330	58,330
Reclassification (Note 16(a))	**—**	**—**	3,114	3,114
Transfer from property, plant and equipment (Note 16(b))	**22,610**	**22,610**	24,867	24,867
Transfer to property, plant and equipment (Note 16(b))	**—**	**—**	(5,878)	—
Increase/(decrease) in fair value	**398**	**1,618**	(8,258)	(8,156)
At end of year	**95,183**	**102,383**	72,175	78,155

Investment properties held by the Group and the Company were valued at 31 December 2010 and 2009 by qualified valuers from American Appraisal China Limited, an independent firm of chartered surveyors. The valuations, carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors, were made on an open market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable sales transaction available in the relevant market.

All investment properties held by the Group and the Company were located in the PRC, held under medium term leases, and are pledged to secure general banking facilities granted to the Group and the Company. An investment property held by the Group and the Company with carrying value of RMB6,900,000 has been released subsequent to the reporting period end.

An investment property of the Group and the Company with a carrying value of RMB88,283,000 (2009: RMB66,455,000) are not freely transferable.

18. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2010 Group RMB'000	2010 Company RMB'000	2009 Group RMB'000	2009 Company RMB'000
Cost:				
At beginning of year	**1,103,326**	**57,324**	1,052,279	6,277
Additions	**5,626**	**5,626**	51,047	51,047
Disposal of land (Note (d))	**(611,900)**	**—**	—	—
At end of year	**497,052**	**62,950**	1,103,326	57,324
Accumulated amortisation and impairment:				
At beginning of year	**60,433**	**1,786**	30,529	640
Charge for the year	**29,627**	**1,193**	29,904	1,146
Written back on disposal (Note (d))	**(50,938)**	**—**	—	—
Impairment loss recognised	**16,958**	**—**	—	—
At end of year	**56,080**	**2,979**	60,433	1,786
Carrying values at end of year	**440,972**	**59,971**	1,042,893	55,538
Less: Current portion included under current assets	**(12,652)**	**(1,250)**	(29,904)	(1,146)
Non-current portion	**428,320**	**58,721**	1,012,989	54,392

Notes:

(a) Leasehold land held for own use 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 was a piece of land in Guangming, Shenzhen, the PRC with a carrying amount of RMB54,584,000 at 31 December 2010 (2009: RMB50,025,000) being held under a medium term lease with a term of 50 years commencing on 1 January 2009. The land is acquired at a concessionary discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained. The Group and the Company are in the process of obtaining the land use right certificate.

(c) Included in leasehold land is a piece of land in Shenzhen with a carrying amount of RMB5,388,000 at 31 December 2010 (2009: RMB5,513,000) is being held under a medium term lease, with a term of 50 years commencing on 27 November 2003. The land is acquired at a concessionary discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

18. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (Continued)

Note: (Continued)

(d) On 10 December 2010, the Company's 51% owned subsidiary, Wuxi SHIOC International Outsourcing Industry Development Company Limited ("Wuxi SHIOC") and the Wuxi Land Resources Administration Bureau entered into a supplemental land contract in which the site area of the land held by Wuxi SHIOC was reduced by 58.5% and the total land premium payable to the Wuxi Land Resources Administration Bureau was accordingly amended from RMB362,000,000 to RMB150,220,000.

As a result of the entering into of the supplemental land contract, the Company, Wuxi SHIOC and the non-controlling interests of Wuxi SHIOC entered into an agreement in which the total contribution to be made by the Company to Wuxi SHIOC was amended from originally agreed amount of RMB717,898,100 to RMB396,205,100 whilst the existing 51% equity interest in Wuxi SHIOC held by the Company would not be affected.

Details were set out in the Company's announcement dated 10 December 2010.

Wuxi SHIOC has obtained the land use right certificates in respect of the remaining pieces of land and commenced the development. The lease term of the land will expire on 7 December 2044.

(e) The Group and the Company had pledged certain lease prepayments having a carrying amount of RMB250,501,000 and RMB59,971,000 respectively at 31 December 2010 (2009: RMB55,538,000 and RMB55,538,000 respectively) to secure general banking facilities granted to the Group and the Company.

19. GOODWILL

	Group	
	2010 RMB'000	2009 RMB'000
Cost		
At 1 January	**24,470**	24,470
Accumulated impairment losses		
Impairment losses recognised	**(24,470)**	—
At 31 December	**—**	24,470

The recoverable amount of the cash-generating unit is determined with reference to a valuation report prepared by independent professional valuers. The valuations, carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors, were made on an open market value basis calculated by reference to the prevailing market prices on the properties held under development. As the recoverable amount of the cash-generating unit so determined was lower than its carrying amount, the impairment loss on goodwill has been recognised accordingly.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**252,760**	250,210

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries, the business structure of which were corporations, as at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up registered capital	Attributable equity interests held by the Company		Principal activities
			directly	indirectly	
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited*	PRC	RMB6,000,000	100%	—	Research, development, manufacture and distribution of APA software products
深圳市研祥新特科技有限公司 Shenzhen EVOC Xinteer Technology Company Limited*	PRC	RMB10,000,000	—	100%	Trading of electronic parts
上海市研祥智能科技有限公司 Shanghai EVOC Intelligent Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development, manufacture and distribution of APA software products
北京市研祥興業國際智能科技有限公司 Beijing EVOC Xingye International Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development and distribution of APA software products
無錫深港國際服務外包產業發展有限公司 Wuxi SHIOC International Outsourcing Industry Development Company Limited*	PRC	RMB306,122,400	51%	—	Development of service outsourcing centre
廣州市研祥智能科技有限公司 Guangzhou EVOC Intelligent Technology Company Limited*	PRC	RMB5,000,000	100%	—	Research, development and distribution of APA software products
深圳市研祥通軟件有限公司 Shenzhen EVOC STONE Software Company Limited*	PRC	RMB10,000,000	100%	—	Research, development, manufacture and distribution of APA software products
香港研祥國際科技有限公司 Hong Kong EVOC International Technology Company Limited	Hong Kong	HK$100,000	100%	—	Trading of electronic parts

* For identification purpose only.

The above table lists the subsidiaries of the Group 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 excess length.

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

21. INVENTORIES

	2010 Group RMB'000	2010 Company RMB'000	2009 Group RMB'000	2009 Company RMB'000
Raw materials	**176**	**152**	36,895	36,868
Work-in-progress	**265**	**265**	12,582	12,581
Finished goods	**42,667**	**19,284**	49,700	47,100
	43,108	**19,701**	99,177	96,549
Less: Allowance for inventories	**(6,464)**	**(521)**	(6,878)	(4,977)
	36,644	**19,180**	92,299	91,572

The cost of inventories recognised as an expense during the reporting period was RMB1,057,915,000 (2009: RMB941,364,000), of which RMB414,000 was in respect of net reversal of impairment on of inventories made in prior years (2009: RMB1,763,000 was in respect of impairment loss on of inventories).

The reversal arose due to the reprocessing of inventories during the reporting period. (2009: nil)

22. TRADE AND BILLS RECEIVABLES

	2010 Group RMB'000	2010 Company RMB'000	2009 Group RMB'000	2009 Company RMB'000
Trade receivables (Note (a))	**162,208**	**36,675**	129,451	32,660
Allowance for impairment losses (Note (c))	**(4,790)**	**(1,457)**	(1,251)	(874)
Trade receivables, net	**157,418**	**35,218**	128,200	31,786
Bills receivable (Note (d))	**54,931**	**37,243**	20,922	9,564
Total	**212,349**	**72,461**	149,122	41,350

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

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	2010		2009	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
0 to 90 days	**139,840**	**32,934**	119,637	30,307
91 to 180 days	**14,651**	**2,120**	2,134	594
181 to 365 days	**2,547**	**159**	5,869	630
Over 1 year	**5,170**	**1,462**	1,811	1,129
Gross trade receivables	**162,208**	**36,675**	129,451	32,660

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

	2010		2009	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Neither past due nor impaired	**106,828**	**21,390**	64,406	14,405
Within 90 days past due	**37,156**	**13,185**	56,579	16,159
91 to 180 days past due	**13,054**	**638**	6,655	967
181 to 365 days past due	**380**	**5**	560	255
Amount past due but not impaired	**50,590**	**13,828**	63,794	17,381
	157,418	**35,218**	128,200	31,786

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

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

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
At beginning of year	1,251	874	4,023	3,798
Impairment loss recognised/(reversed), net	3,539	583	(2,772)	(2,924)
	4,790	1,457	1,251	874

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

(d) Bills receivable are with maturity of less than 6 months. At the end of reporting period, bills receivable of approximately RMB11,629,000 and RMB11,629,000 (2009: RMB22,301,000 and RMB22,301,000) have been endorsed to the Group's and the Company's suppliers. The carrying values of bills endorsed to suppliers continue to be recognised as assets in the financial statements as the Group and the Company is still exposed to credit risk on these receivables at the end of 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

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Other receivables	20,248	11,127	17,870	8,357
Deposits	2,663	573	2,412	685
Prepayments	7,995	3,867	9,160	7,756
	30,906	15,567	29,442	16,798

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2010 RMB'000	2009 RMB'000
Amounts due from subsidiaries	66,635	56,633
Less: accumulated impairment loss	(25,676)	—
	40,959	56,633
Amounts due to subsidiaries	(109,218)	(125,019)

The amounts due from/(to) subsidiaries were unsecured, interest free and have no fixed terms of repayment.

25. CASH AND BANK BALANCES

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Bank deposits	1,161,418	1,145,000	1,013,500	910,000
Cash and bank balances	118,274	78,273	303,866	243,906
	1,279,692	1,223,273	1,317,366	1,153,906
Less:				
Time deposits with original maturity of more than three months when acquired (note (a))	(1,145,000)	(1,145,000)	(910,000)	(910,000)
Pledged bank balances (note (b))	(17,088)	(17,088)	(29)	(29)
	(1,162,088)	(1,162,088)	(910,029)	(910,029)
Cash and cash equivalents	117,604	61,185	407,337	243,877

Notes:

(a) Time deposits represent deposits with banks with initial terms of maturity over three months. The effective interest rate at the end of reporting period was approximately 0.36% per annum (2009: 0.347% per annum). The balance is denominated in RMB.

(b) Pledged bank balances represent deposits placed in banks for issuance of bank guarantees to certain subcontractors of the Group and the Company.

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

25. CASH AND BANK BALANCES (Continued)

Notes: (Continued)

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

(e) Major non-cash transaction

As disclosed in Note 18(d) to the financial statements, the Group disposed of prepaid land leases with carrying value of RMB 560,962,000 on 10 December 2010, resulting in derecognition of land lease premium payable of RMB211,781,000 and release of deferred tax liabilities of RMB96,686,000 and reduction in the capital contribution and reserve of a subsidiary of RMB281,352,000.

26. TRADE AND BILLS PAYABLES

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Trade payables	109,038	41,177	84,570	40,661
Bills payable	18,035	18,035	14,098	14,098
	127,073	59,212	98,668	54,759

The following is the ageing analysis of trade payables:

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
0 to 90 days	107,552	40,357	81,014	38,006
91 to 180 days	750	120	608	398
181 to 365 days	14	13	159	38
Over 1 year	722	687	2,789	2,219
	109,038	41,177	84,570	40,661

At the end of reporting period, the Group and the Company have endorsed certain bills receivable with recourse third parties to trade payables. (Note 22(d))

27. OTHER PAYABLES AND ACCRUALS

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Construction payables	**121,741**	**84,343**	17,126	10,881
Deferred income (Note)	**5,000**	**5,000**	—	—
Land lease premium and related payable	**—**	**—**	220,252	—
Other payables	**37,017**	**20,490**	32,584	21,682
Other tax payables	**10,389**	**4,882**	5,602	5,275
Accruals	**10,653**	**7,867**	5,238	2,391
	184,800	**122,582**	280,802	40,229
Less: Amount shown in current liabilities	**(179,800)**	**(117,582)**	(280,802)	(40,229)
Non-current portion	**5,000**	**5,000**	—	—

Note: Deferred income represents grants obtained from the PRC government in relation to the purchase of property, plant and equipment by the Group and the Company.

28. BANK BORROWINGS

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Secured bank borrowings	**941,828**	**941,828**	1,022,000	992,000
At the end of reporting period, total bank borrowings were scheduled to be repaid as follows:				
On demand or within one year	**579,000**	**579,000**	446,000	416,000
After one year but within two years	**192,000**	**192,000**	124,000	124,000
After two years but within five years	**170,828**	**170,828**	368,000	368,000
After five years	**—**	**—**	84,000	84,000
	362,828	**362,828**	576,000	576,000
	941,828	**941,828**	1,022,000	992,000

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			
	2010		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank borrowings	**5.310%**	**95,000**	5.310%	230,000
Floating rate borrowings				
Bank borrowings	**4.860%–5.940%**	**846,828**	4.779%–7.664%	792,000

The secured bank borrowings and general banking facilities of the Group and the Company with carrying amount of RMB286,828,000 (2009: RMB192,000,000) are secured by way of charge over certain assets, including building, investment properties, leasehold land held for own use under operating leases and construction in progress, together with the personal guarantees given by an executive director of the Company and related parties, including a spouse of an executive director and ultimate holding company.

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

At the end of reporting period, Group and the Company had available undrawn committed borrowing facilities of RMB131,172,000 (2009: RMB450,000,000) in respect of which all conditions precedent had been met.

29. DEFERRED TAXATION

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

The Group	Unrealised profit on inter company transactions RMB'000	Revaluation of properties RMB'000	Allowance for impairment losses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2009	(6,520)	201,465	(992)	—	193,953
Charged/(credited) to profit or loss	426	(5,818)	(163)	(1,183)	(6,738)
Effect of change in tax rate	1,536	—	320	—	1,856
	1,962	(5,818)	157	(1,183)	(4,882)
Credited to equity	—	(1,764)	—	—	(1,764)
At 31 December 2009	(4,558)	193,883	(835)	(1,183)	187,307
Charged/(credited) to profit or loss	(3,107)	(6,831)	(198)	(252)	(10,388)
Release on disposal of land	—	(96,686)	—	—	(96,686)
Credited to equity	—	(630)	—	—	(630)
At 31 December 2010	(7,665)	89,736	(1,033)	(1,435)	79,603

The Company	Unrealised profit on inter company transactions RMB'000	Revaluation of properties RMB'000	Allowance for impairment losses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2009	—	31,808	(908)	—	30,900
Charged/(credited) to profit or loss	(23)	(57)	(153)	(1,183)	(1,416)
Effect of change in tax rate	—	—	286	—	286
	(23)	(57)	133	(1,183)	(1,130)
Credited to equity	—	(2,722)	—	—	(2,722)
At 31 December 2009	(23)	29,029	(775)	(1,183)	27,048
Charged/(credited) to profit or loss	23	3,489	548	(252)	3,808
	23	3,489	548	(252)	3,808
Credited to equity	—	(1,908)	—	—	(1,908)
At 31 December 2010	—	30,610	(227)	(1,435)	28,948

29. DEFERRED TAXATION (Continued)

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

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Deferred tax assets	**(2,719)**	**—**	(1,207)	—
Deferred tax liabilities	**82,322**	**28,948**	188,514	27,048
	79,603	**28,948**	187,307	27,048

The Group has unused tax losses arising in the PRC of RMB77,244,000 (2009: RMB87,903,000) that can be carried forward for five years and unused tax losses arising in Hong Kong of RMB3,517,000 (2009: RMB4,380,000) 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:

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Year of expiry				
2010	**—**	**—**	14,432	757
2011	**9,386**	**—**	9,924	538
2012	**15,631**	**—**	19,520	2,726
2013	**24,558**	**5,978**	24,874	5,978
2014	**16,587**	**—**	19,153	1,910
2015	**11,082**	**—**	—	—
	77,244	**5,978**	87,903	11,909

The Group and the Company recognised a deferred tax asset of RMB1,435,000 (2009: RMB1,183,000) regarding unused tax losses of RMB5,978,000 (2009: RMB7,886,000). No deferred tax assets have been recognised for the remaining unused tax losses of RMB74,783,000 (2009: RMB84,397,000) as the availability of future taxable profit to utilise the temporary differences is not probable.

30. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
At 1 January 2009, 31 December 2009 and 2010	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 32.

31. RESERVES (Continued)

(b) Company

	Share premium RMB'000 (Note (i))	Statutory surplus reserve RMB'000 (Note (ii))	Properties revaluation reserve RMB'000 (Note (iii))	Translation reserve RMB'000 (Note (iv))	Retained profits RMB'000	Total RMB'000
At 1 January 2009	8,586	54,935	74,398	565	349,901	488,385
Total comprehensive income for the year, net of tax	—	(154)	6,084	(40)	145,106	150,996
Transfer between reserves	—	14,638	—	—	(14,638)	—
At 31 December 2009	8,586	69,419	80,482	525	480,369	639,381
Total comprehensive income for the year, net of tax	—	—	6,609	183	60,110	66,902
At 31 December 2010	8,586	69,419	87,091	708	540,479	706,283

Notes:

(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(d).

(iv) Translation reserve

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

32. OPERATING LEASE COMMITMENTS

As lessee

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

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

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Within one year	5,988	1,230	8,227	3,787
In the second to fifth years, inclusive	3,855	555	5,361	3,439
	9,843	1,785	13,588	7,226

As lessor

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

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Within one year	11,286	11,907	15,504	16,408
In the second to fifth years, inclusive	7,178	7,507	20,872	22,342
	18,464	19,414	36,376	38,750

33. CAPITAL COMMITMENTS

	2010		2009	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Authorised but not contracted for:				
— payment of construction costs	810,095	332,988	541,604	436,105
— purchase of property, plant and equipment	—	—	14,400	14,400
	810,095	332,988	556,004	450,505
Contracted but not provided for:				
— Capital contribution to a subsidiary	—	240,083	—	557,776
— Construction costs	399,361	199,726	48,144	13,895
	399,361	439,809	48,144	571,671
	1,209,456	772,797	604,148	1,022,176

34. RELATED PARTY TRANSACTIONS

At 31 December 2010, the directors consider the ultimate holding company of the Group to be EVOC Hi-Tech Holding Group Limited (formerly known as Shenzhen Yanxiang Wangke Industry Company Limited), which was incorporated in the PRC.

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

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

(b) Rental income of RMB1,874,000 (2009: RMB896,400) was received from a related company controlled by an executive director of the Company. The rental was calculated with reference to market rate.

(c) Members of key management during the year comprised the three executive directors only whose remuneration is set out in Note 11 to the financial statements.

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-adjusted capital ratio. For the purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings, and trade and other payables), less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

36. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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

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 17% (2009: 13%) of the total trade and other receivables was due from the Group's five largest customers.

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(b) Liquidity risk

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

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

Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010						
Bank borrowings	**941,828**	**1,008,583**	**596,818**	**218,817**	**192,948**	**—**
Trade payables	**109,038**	**109,038**	**109,038**	**—**	**—**	**—**
Bills payable	**18,035**	**18,035**	**18,035**	**—**	**—**	**—**
Other payables	**163,758**	**163,758**	**158,758**	**5,000**	**—**	**—**
	1,232,659	**1,299,414**	**882,649**	**223,817**	**192,948**	**—**
2009						
Bank borrowings	1,022,000	1,137,997	461,659	153,333	436,465	86,540
Trade payables	84,570	84,570	84,570	—	—	—
Bills payable	14,098	14,098	14,098	—	—	—
Other payables	269,962	269,962	269,962	—	—	—
	1,390,630	1,506,627	830,289	153,333	436,465	86,540

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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
2010						
Bank borrowings	**941,828**	**1,008,583**	**596,818**	**218,817**	**192,948**	**—**
Trade payables	**41,177**	**41,177**	**41,177**	**—**	**—**	**—**
Bills payables	**18,035**	**18,035**	**18,035**	**—**	**—**	**—**
Other payables	**109,833**	**109,833**	**104,833**	**5,000**	**—**	**—**
Amounts due to subsidiaries	**109,218**	**109,218**	**109,218**	**—**	**—**	**—**
	1,220,091	**1,286,846**	**870,081**	**223,817**	**192,948**	**—**
Financial guarantee issued						
Maximum amount guaranteed	**—**	**17,088**	**17,088**	**—**	**—**	**—**
2009						
Bank borrowings	992,000	1,106,452	430,114	153,333	436,465	86,540
Trade payables	40,661	40,661	40,661	—	—	—
Bills payables	14,098	14,098	14,098	—	—	—
Other payables	32,563	32,563	32,563	—	—	—
Amounts due to subsidiaries	125,019	125,019	125,019	—	—	—
	1,204,341	1,318,793	642,455	153,333	436,465	86,540
Financial guarantee issued						
Maximum amount guaranteed	—	31,545	31,545	—	—	—

(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 2010, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax expense and retained profits by RMB7,288,000 (2009: RMB4,885,000). Other components of consolidated equity would increase/decrease by RMB7,288,000 (2009: RMB4,885,000) in response to the general increase/decrease in interest rates.

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 2009.

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

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

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

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 2010 and 2009 may be categorised as follows:

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,520,653**	1,486,770
Financial liabilities		
Financial liabilities measured at amortised cost	**1,220,120**	1,390,630

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

PARTICULARS OF PROPERTIES

Location	Approximate gross floor area (square metres)	Nature of property	Interest attributable to Group	Lease term
Properties held for self-use and for rental purposes				
EVOC Building No 31, Gaoxinzhong Si Road Nanshan District, Shenzhen Guangdong Province The People's Republic of China	64,910	Commercial	100%	Medium term lease
Properties held for rental purpose				
Unit Nos. 10B1 and 10B2 Level 10, Tianxiang Building Tianan Cyber Park Chegongmiao Futian District Shenzhen Guangdong Province The People's Republic of China	1,152	Industrial	100%	Medium term lease
Properties under development				
A parcel of land located at South of Xihu Road West of Fangtong Road (Block no: XXDG 2003-28) Wuxi Jiangsu Province The People's Republic of China	395,983	Commercial	51%	Medium term lease
A parcel of land located at Guangming Gaoxin Yuan Qu (Block no: A508-0030) Guangming, Shenzhen Guangdong Province The People's Republic of China	200,184	Industrial	100%	Medium term lease

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

		Year ended 31 December				
Financial year		**2010**	2009	2008	2007	2006
Revenue	RMB'000	**1,277,182**	1,191,698	1,211,090	602,626	278,643
Gross Profit	RMB'000	**219,267**	250,334	303,421	231,654	115,794
Gross Margin	%	**17.17**	21.01	25.05	38.44	41.56
Profit for the year	RMB'000	**38,501**	62,783	97,223	154,436	81,973
Net Margin	%	**3.01**	5.27	8.03	25.63	29.42
Basic Earnings Per Share (Note)	RMB	**0.047**	0.063	0.092	0.125	0.066 (Restated)
Cash Generated from Operations	RMB'000	**262,603**	117,507	186,994	(1,511)	70,868
Trade Receivables Turnover	Days	**45**	39	43	78	41

FINANCIAL POSITION

		Year ended 31 December				
Financial year		**2010**	2009	2008	2007	2006
Total Assets	RMB'000	**2,535,653**	3,032,598	2,784,857	2,314,105	476,893
Total Liabilities	RMB'000	**1,336,865**	1,597,974	1,418,344	1,026,624	102,237
Total Time Deposits and Cash and Cash Balances	RMB'000	**1,279,692**	1,317,366	1,024,017	571,061	239,447
Shareholders' Funds	RMB'000	**1,198,788**	1,434,624	1,366,513	1,287,542	324,656
Net Assets per Share	RMB	**0.972**	1.163	1.108	1.044	0.304
Dividend per Share	RMB	**—**	—	—	—	—

Note:

The calculation of basic earnings per share amounts is based on the net profit attributable to owners of the Company for the year of RMB57,429,000 (2009: RMB78,167,000) and the 1,233,144,000 (2009: 1,233,144,000) ordinary shares in issue during the year