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 : 8285

Annual Report 2008

研祥 inside

* for identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent non-executive directors
Wen Bing
Zhou Hong
Dong Lixin
Wang Tian Xiang

SUPERVISORS

Pu Jing *(Chairperson)*
Zhan Guo Nian
Zhang Zheng An

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

Zhou Hong *(Chairperson)*
Wen Bing
Wang Tian Xiang

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

Wen Bing *(Chairman)*
Zhou Hong
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

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10th Floor, Star House
3 Salisbury Road
Tsimshatsui
Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road
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Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China
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F4–8, 1st Floor
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Shenzhen
PRC

LEGAL ADVISER TO THE COMPANY

Commerce & Finance Law Offices
1405, Tower B, Shen Fang Plaza
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Shenzhen 518001
PRC

COMPANY HOMEPAGE/WEBSITE

http://www.evoc.com

GEM STOCK CODE

8285

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 of the Stock Exchange of Hong Kong on 10 October 2003 (the "Listing"). The Company and its subsidiary ("Group") are principally engaged in the research, development, manufacture and distribution of advanced process automation (APA) products. As at 31 December 2008, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB2.8 billion.


Wen Jiabao, Premier of the State Council, visited EVOC


Li Changchun, a member of the Politburo Standing Committee of the CPC Central Committee, visited EVOC

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

The Group is one of the leading domestic manufacturers of APA products in the PRC. APA is a computer system allowing users to adapt hardware and software applications to perform a dedicated function or a range of dedicated functions such as data processing, generating, interpreting and executing control signals, etc. and is embedded into a product, device or a larger system. APA products manufactured and distributed by the Group are widely applied in, among other, telecommunication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance industries. The Group offers over 380 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.


He Guojiang, a member of the Politburo Standing Committee of the CPC Central Committee, visited EVOC

CHAIRMAN'S STATEMENT

Chairman Chen Zhi Lie was elected as a "Capital Leader of Excellence 2008"

GPS Solution

ATM Solution

TO OUR SHAREHOLDERS,

On behalf of the board of directors, I am pleased to present the annual report of EVOC Intelligent Technology Company Limited ("EVOC" or our "Group" or the "Group") for the year 2008 to our shareholders. The Group engages in the research and development, manufacture and distribution of Embedded Intelligence Platform ("EIP") products since 1993 with a 15-year history of continuous operation. Following the rapid development of the EIP industry, EIP products are now widely accepted by global and Chinese governments and customers, while international academy redefines the concept as "APA", that is, "Advanced Process Automation".

CHAIRMAN'S STATEMENT

To date, the competitive strength of the Group is becoming more apparent with a steady increase in market share. Being the sole Chinese enterprise in the top five manufacturers in the China APA market, the Group currently ranks the third in terms of market share. During the period, the global and China economy slowed down because of the impact of the US subprime crisis and macroeconomic adjustment and control. The Group was essentially not affected by the economic fluctuation because of the specialization of the APA industry. Instead, during this overall economic downturn, the Group benefited from the substantial increase in infrastructure investment, environment protection and city planning by the Chinese government, leading to a strong growth momentum in the overall operating results.

OPERATING RESULTS

During the period, the Group recorded satisfactory operating results. The total revenue in 2008 amounted to RMB1,211,090,000, representing an increase of 101% compared to RMB602,626,000 for the last year. The gross profit amounted to RMB303,421,000, representing an increase of 31% compared to last year, while gross profit margin decreased from 38% to 25%. The net profit amounted to approximately RMB97,223,000, representing a decrease of 37% compared to last year. The profit attributable to equity holders amounted to approximately RMB113,262,000. The earnings per share amounted to approximately RMB0.092.

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. 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.

The Group's core business of APA continued to deliver excellent performance. For two consecutive years, the Group managed to achieve new records in turnover in this field. The Group's turnover rose by 101% to a record high of RMB1,211,090,000 (2007: RMB602,626,000). The increase was primarily due to overall market growth in traditional APA's products and auxiliary services business.

Rapid development of information technology in China and traditional industries in the Country such as utility industries like energy, railway transportation and environment assessment seeking to upgrade their operations have presented APA products a wider market. In this aspect, the Group has offerings that meet the country's


Water Treatment Solution


Rail Transit Solution

requirements especially since the Chinese authority has been encouraging to the priority use of domestic products and technologies in major projects. This put the Group high on the supplier lists and a clear advantage in winning businesses among both local and foreign brands.

During the period, to better meet customer needs, the Group continued to extend its industrial chain taking reference of development trends and scope of applications in the APA market. It launched system-integration solutions, value-added products, which are complementary to APA products, and relevant auxiliary services as new profit growth drivers. System-integration solutions, value-added products and auxiliary services have helped the Group tighten relationship with existing customers and attract new customers, sharpen competitive edge and expand sales for added steady cash flow. The Group intends to continue the expansion of the scale of its system-integration solution, value-added product and auxiliary service business.

1. Research & Development

During the period, the Group enhanced the structure and size of its R&D regime. It now has an over 600-strong R&D team working at one institute and four centers, namely a Technology Institute and the Shenzhen R&D center, Beijing R&D center, Shanghai R&D center and Xian R&D center. The Group holds exclusive intellectual property rights to its existing products and newly developed products that integrate latest embedded-intelligence control technology that could satisfy the requirements of APA products for applying in exceptional environments.

Nowadays, APA products are finding finer applications requiring them to be more sophisticated professionally. The Group thus adjusted and perfected its R&D regime according to the application areas of its products. It has set up dedicated R&D teams for different industries and new product applications. It also made sure effective communication takes place between the R&D and marketing functions to facilitate prompt adjustment of R&D strategies and business direction in respond to changes in the market. These moves have kept the Group ahead of its industry peers in product development and technological innovation. During the period under review, the Group and the Institute of Computing Technology of the Chinese Academy of Sciences signed a "Strategic Cooperation Agreement on Application of Embedded Technology" to establish a "joint laboratory on embedded technology applications". The laboratory, which focuses on exploring the application of APA products and the Loongson CPU, will enable the Group to strengthen its R&D competence and speed up development of new generation products.

Riding on its core competitive strength of "applying innovative proprietary capabilities to develop its own brands", the Group has been able to sustain steady growth in all kinds of adverse circumstances. Heeding the development trend of the APA industry during the year, the Group developed a number of new products including low-power consumption embedded machine, stackable embedded & industrial computer, reinforced intelligent platform for automobiles, patented bus embedded products, complete PC/104 micro fan-less machine, high-end 5100 server level dual-processor network safety platform, railway MEC-1001 platform, network NVC-8XXX platform and 3G-specific MTA-XXX platform.

2. Products & Services

The Group offers over 380 APA products in three series and solutions designed for a number of industries. The APA products manufactured and distributed by the Group are widely used in traditional industries going through digitalization and adopting information technology, as well as in new industries bred by the development of information technology worldwide. In 2008, as APA product market matures in China, APA product services become more and more professional and standardized, and their value better recognized.

CHAIRMAN'S STATEMENT

With APA products boasting longer lifespan, customers have also become more demanding on related services. The Group sees the demand for services growing markedly faster than that for hardware in the next few years.

Based on the unique characteristics of the APA industry and APA product development, the Group continued to set up sales and service points in China during the period under review, bringing the number of branches to more than 40 to date. It boasts the most complete sales and service network in the industry, which has enabled it to provide timely on-site pre-sale, during sale and after sale services to customers. Armed with outstanding technical know-how, the Group is also able to customize products for its major customers in different industries. This capability underscores the competitiveness of its products and its stable customer base.

In 2008, the Group won the following awards and accreditations:

(1) "China Best Small & Medium-size Enterprises 2008" (2008中國潛力企業) from Forbes;

(2) "Top 100 Guangdong private enterprises 2006–2007" (2006–2007年度廣東省百強民營企業) from the Guangdong Municipal Government;

(3) 中國電力行業企業文化成果優秀獎 from the China Electricity Council;

(4) 深圳市知識產權優勢企業 from the Shenzhen Intellectual Property Bureau and Shenzhen Copyright Bureau;

(5) Vehicle Terminal (WPC-1201) Product honored with "Golden Award, 2008 5th Product Creativity Design Award of Chinese enterprises" (2008年第五屆中國企業產品創新設計金獎) from the 中國企業產品創新設計獎組委員會;

(6) Embedded Intelligence Platform claimed the "深圳市科技創新專利優秀獎" presented by the Shenzhen Municipal Government;

(7) Long March Series Special Computer won the "深圳市科技創新產業文化獎" presented by the Shenzhen Municipal Government.

3. Marketing and Management

The Group operates a sales model with direct sales operation at the core and distributors to complement. With sales points in more than 40 cities in China, the nationwide sales and service network of the Group enables customers to buy "EVOC" products conveniently and enjoy timely and attentive services of the Group. As the Group sells directly to customers, it has been able to grasp the requirements of customers accurately to put out new products and technologies the market needs and thus shorten the time those new products and technologies can begin to bring returns to the Group. At the same time, the sales model gives the Group direct control over customer relations and how to respond to market changes, allowing it to maintain a stable and sustainable customer base.

APA products are not consumer products but parts in different kinds of terminal equipment, thus their characteristics are invisible to the end-users. During the period under review, the Group rolled out an "EVOC inside" marketing strategy, aiming to put the "EVOC inside" logo on all APA terminal products to raise end-user awareness and eventually a preference among end-users when they choose terminal equipment. Though brand promotion and shifting from technology-driven marketing to consumer-driven marketing, it hopes to influence consumer preference. This marketing strategy of the Group has historic significance to the APA industry, for it has brought high-end automation products from the back stage on to the front stage. The Group aspires to become a worldwide core APA product and equipment provider after INTEL, and the Board of Directors of the Group believes the "EVOC inside" plan marks the entry of the Group into the era of brand marketing. Since October, the "EVOC inside" logo has been incorporated into all strategic marketing aspects including sales, packaging, advertisement, public relations and internal and external communication.

The Group derives most of its revenue from the China market. According to statistics, the global APA market is about 5 to 6 times the size of the China market. Thus, the Group sees the overseas market as a potential new profit growth driver for its business. However, instead of a direct sale mode like the one used by the Group in the China market, the Group has to rely on distributors to sell to overseas markets so as to keep operating risks and investment of capital to the minimum. The Group plans to set up branch companies in the Middle East and other emerging overseas markets where APA product sales have shown significant growth recently, as well as work with international distributors with strong local selling capabilities. Furthermore, the Group will focus on developing world first products, which will allow it to snatch market share quickly, and it will also recruit local technical staff to render support services to customers in the different overseas markets.

OUTLOOK AND PROSPECTS

The APA industry in China is growing and is expected to growth at accelerating rate in the future benefiting from traditional industries replacing old equipment and emerging industries equipping themselves with advanced information technology. In the future, the Group will shift from supplier of "hardware platform-based" products to a provider of solutions combining "a hardware platform, a software platform and a service platform". It will develop terminal products that agree with and enjoy good potential in the fast-growing APA industry.

As the Chinese government pushes forward with its policy to encourage development to proprietary products and technologies in the country including passing legislations that mandate purchase of local products first for major projects. Against such a backdrop, the Group expects to land a greater proportion of orders from the government in the futures. Currently, the main sources of income of the Group are the commercial, industrial, finance, energy and transportation sectors, typically with customers placing sizeable orders after they have tried out certain products and are satisfied with the result. The Board of Directors expects the Group to earn incomes in the next two years mainly from key industries such as railway transportation, coal mine safety, environment protection and 3G communication in the country.

APPRECIATION

On behalf of the Board, I would like to offer our sincere thanks to all our board members, management staff, employees, customers and shareholders for their consistent support, their contribution and efforts to the Group, and to the persons from various sectors that constantly support the Group. Looking into the future, the members of the Group will continue devote to themselves to their work. I believe, in the future, the Group will still create desirable economic benefits and bring satisfactory returns to our shareholders.

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

For the year ended 31 December 2008, the Group's turnover was approximately RMB1,211,090,000, representing an annual growth rate of approximately 101%. The increase was mainly due to strong demand of traditional APA's products and (auxiliary services business).

Turnover by product category

Sales of Products	2008 RMB'000	2007 RMB'000	Change Percentage
Board-type APA	**453,457**	268,132	+69%
Chassis-type APA	**311,846**	207,737	+50%
Remote data modules	**16,230**	12,797	+27%
APA products	**781,533**	488,666	+60%
Auxiliary services business	**429,557**	113,960	+277%
Total	**1,211,090**	602,626	+101%

Turnover by Geographical Location

Regions in China	2008 RMB'000	2007 RMB'000	Change Percentage
North and Northeast China	**163,733**	114,722	+43%
East China	**109,489**	87,532	+25%
South China	**878,960**	362,289	+143%
Southwest China	**40,036**	23,382	+71%
Northwest China	**18,872**	14,701	+28%
Total	**1,211,090**	602,626	+101%

GROSS PROFIT

The Group's gross profit for the year ended 31 December 2008 was approximately RMB303,421,000, representing an increase of approximately 31%. The gross profit margin decreased from approximately 38% to approximately 25%. The decrease in gross profit margin was mainly due to increase in auxiliary services business with a comparatively lower margin.

OTHER INCOME

The other income for the year ended 31 December 2008 amounted to approximately RMB57,354,000 (2007: RMB19,892,000), representing an increase of approximately 188%. The increase was mainly due to increase in bank interest income.

Selling & Distribution costs

The selling and distribution costs for the year ended 31 December 2008 were approximately RMB50,759,000 (2007: RMB39,948,000).

Administrative Expenses

During the year under review, the total administrative expenses of the Group was approximately RMB97,180,000 equivalent to approximately 8% of the Group's sales in 2008. The administrative expenses to sales ratio was approximately 3% higher than that of the previous year due to the reclassification of selling and distribution cost and inclusion of amortization for the Wuxi project of approximately RMB29,889,000.

Research & Development costs

The research and development cost for the year ended 31 December 2008 was approximately RMB48,630,000 (2007:RMB36,259,000) which was included in other operating expenses, representing an increase of approximately 34%. The increase was mainly due to expansion of R&D team.

Finance Costs

Finance costs for the year ended 31 December 2008 amounted to approximately RMB48,031,000 (2007: RMB12,173,000), representing an increase of approximately 295%. The increase was mainly due to increase in short term bank borrowings.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders for the year 31 December 2008 was approximately RMB113,262,000, while that of 2007 was approximately RMB154,433,000, representing a decrease of approximately 27%. The net profit margin also dropped from 26% to 8%. The drop was primarily due to amortization expenses of Wuxi project, additional depreciation expenses of EVOC Technology Building and loss arising from valuation on investment properties.

LIQUIDITY, FINANCIAL RESOURCES

The Group has maintained a sound financial position during the year 31 December 2008. As at 31 December 2008, the Group's cash and balance amounted to approximately RMB1,024,017,000. For the year ended 31 December 2008, net cash generated from operating activities of the Group amounted to approximately RMB186,994,000, the Group has maintained a sound cash flow position.

During the year under review, the Group obtained bank borrowings of RMB800,000,000 and repaid bank borrowings of RMB450,000,000. As at 31 December 2008, the total amount of bank borrowings payable within one year was approximately RMB588,000,000 (2007: RMB280,000,000).

GEARING RATIO

The Group gearing ratio, defined as the Group's total liabilities over the total assets, at 31 December 2008 was 51% (2007:44%).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISKS

The Group's purchases and sales are mainly conducted in the PRC. Its assets, liabilities and transactions are mainly denominated in RMB. For the year ended 31 December 2008, the Groups have not encountered any material difficulty due to current fluctuation not shortage of operating funds. For the year ended 31 December 2008, the Groups have no significant exposure to foreign exchange fluctuation or hedging for such risk.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2008.

INVESTMENT IN A SUBSIDIARY

On December 2007, the Group acquired 51% interest of Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited. During the period under review, the project for services outsourcing base was under smooth progress. The first phase of the underground structure of the commercial centre of approximately 5600m^2 has been completed and ready to be put into services in this year. The piling works (1110 piles) for Prime New Plaza (comprising of two blocks of 21-storey office buildings), with an area of 95,000 m^2 have been finished. Those buildings are ready for the ground construction works in the coming year.

THE PLEDGE OF ASSETS

At 31 December 2008, the Group has pledged certain of its property, plant and equipment, investment properties and lease prepayments having a total carrying amount of approximately RMB243,903,000 (2007:RMB253,763,000) as security for bank loans 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 28 to the financial statements.

SIGNIFICANT INVESTMENT

The Group has not held any significant investment for the year ended 31 December 2008.

HUMAN RESOURCES

A breakdown of the number of Group employees by function as at 31 December 2007 and 2008 is set out below:

By function	2008	2007
Sales and marketing	**958**	807
Purchasing	**71**	40
R&D	**635**	238
Management	**65**	17
Accounting and Finance	**88**	71
Quality control	**86**	74
Production	**388**	505
Human resources and administration	**176**	202
Total (Staff)	**2,467**	1,954

During the year, the increase of headcount in sales and marketing, R&D and production departments were mainly due to expansion of business.

The Group provides ongoing training programs for employees to keep them abreast of the latest market trends and new APA 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 remunerates its employees based on performance, experience and prevailing industry practices. The Group also provides Mandatory Provident Fund benefits for its employees in Hong Kong and the Statutory Retirement Scheme for its employees in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 45, 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 21 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 price of Innovation of the Year.

Tso Cheng Shun (曹成生), aged 80, 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 47, an executive director, a member of remuneration and review committee, the compliance officer, the chief engineer and the head of R&D department 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

Wen Bing (聞冰), aged 47, an independent non-executive director, a member of audit committee and chairman of remuneration and review committee. 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 21 years of experience in computer engineering and had held various senior positions in state-owned enterprises as well as international companies. He is currently an executive director and the general manger of E-Techsoft 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).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

Zhou Hong (周紅), aged 43, an independent non-executive director, chairman of audit committee and a member of remuneration and review committee. Ms. Zhou graduated from Tsinghua University (清華大學) in the PRC with a bachelor degree in engineering and a master degree in engineering. She also obtained a master degree in business administration in finance from Massey University in New Zealand in 1999. She is currently the general manager of the Stock department of CSG Holding Company Limited (中國南玻集團股份有限公司) (a Listed Company in Shenzhen Stock Exchange).

Dong Lixin (董立新), aged 49, an independent non-executive Director. 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.

Wang Tian Xiang (王天祥), aged 40, an independent non-executive director and a member of audit committee. Mr. Wang was graduated with Bachelor Degree in Economics at Hebei Geological College (河北地質學院) and is an accountant in the PRC. He has over 17 years of experience in accounting and financial management in the PRC and held various senior positions in state-owned enterprise as well as a company listed in Hong Kong. He is currently worked in the financial department of China Gas Holding Limited (中國燃氣控股有限公司).

SUPERVISORS

Pu Jing (濮靜), aged 43, 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 18 years of experience in industrial computer testing. Ms. Pu is a shareholder of Shenzhen Yanxiang Wangke Industry Company Limited and Shenzhen Haoxuntong Industry Company Limited and was appointed by the Company as a Supervisor in December 2000.

Mr. Zhan Guo Nian (詹國年), aged 38, a member of the supervisory committee 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 17 years of experience in management and administration. Mr. Zhan joined the Company for management and administration work in March 2001 and was appointed by the Company as a Supervisor in October 2006.

Mr. Zhang Zheng An (張正安), aged 33, was graduated from high school, a member of the supervisory committee of the Company. Mr. Zhang is a shareholder of Shenzhen Haoxuntong Industry Co., Ltd and has over 11 years of experience in management and administration and was appointed by the Company as a Supervisor in October 2006.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 58, 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 20 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT

Sun Wei (孫偉), aged 46, is the general manager and the manager of the human resources and administration department of the Company. He obtained a bachelor degree in engineering with a major in engine technology from Da Lian Tie Dao University (大連鐵道大學) in the PRC in 1983. He has extensive experience in engine design, investment and human resources management. He joined the Company in March 1999.

Wang Zhen Zun (王振俊), aged 44, the assistant general manager of the Company. He is responsible for the overall sales 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 13 years of experience in the sales and marketing of computer-based industrial automation products. Mr. Wang joined the Company in October 1995.

Fan Xiao Ning (樊小寧), aged 38, the assistant general manager of the Company. He is responsible for the overall marketing functions of the Company. Mr. Fan is a certificate holder in Chinese language from Nan Cheng University (南昌大學). He has over 14 years of experience in strategic marketing planning. Prior to joining the Company in July 1999, he held a number of managerial positions in various industrial enterprises in the PRC.

Chen Xiang Yang (陳向陽), aged 42, is the head of the production department 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 14 years of experience in the quality control of electronic products. He joined the Company in July 1999.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of APA "Advanced Process Automation" products. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 84.

The Directors do not recommend the payment of a 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 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 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 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to RMB350 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 35% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 11% of the Group's revenue for the year. 54% of the Group's total purchases were attributable to the Group's five largest suppliers and purchases from the Group's largest supplier accounted for 44% of the Group's total purchases.

According to the best knowledge of the directors, neither the directors, their associates (as defined under the GEM Listing Rules), nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year were:

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

Independent non-executive directors:
Wen Bing
Zhou Hong
Dong Lixin
Wang Tian Xiang

Supervisors:
Pu Jing *(Chairperson)*
Zhan Guo Nian
Zhang Zheng An

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 3 years. Upon expiry of the term, they shall be eligible for re-election.

The Company has received annual confirmations of independence from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and still considers them 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 3 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.

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 2008, the interests or short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO), or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange relating to securities transactions by the directors, were as follows:

(a) Long position — interests in the Company

	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
Director					
Chen Zhi Lie (陳志列)	Interest of a controlled corporation	840,635,928 (Note 1)	Domestic Shares	90.90%	68.17%
Zhou Hong (周紅)	Beneficial owner	52,800	H Shares	0.02%	0.004%
Supervisor					
Zhang Zheng An (張正安)	Interest of a controlled corporation	46,239,600 (Note 2)	Domestic Shares	5.00%	3.75%

Notes:

1. These Domestic Shares are held by Shenzhen Yanxiang Wangke Industry Co., Ltd. which is owned as to 70% by Mr. Chen Zhi Lie (陳志列) ("Mr. Chen") and 4.5% by Ms. Wang Rong (王蓉), spouse of Mr. Chen. By virtue of Mr. Chen's holding of more than one-third interest in Shenzhen Yanxiang Wangke Industry Co., Ltd., Mr. Chen is deemed to be interested in all the Domestic Shares held by Shenzhen Yanxiang Wangke Industry 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 30% by Zhu Jun (朱軍), an Executive Director, 30% by Pu Jing (濮靜), a Supervisor and 40% by Zhang Zheng An (張正安). By virtue of Zhang Zheng An (張正安) holding of more than one-third interest in Shenzhen Haoxuntong Industry Co. Ltd, Zhang Zheng An (張正安) is deemed to be interested in all the Domestic Shares held by Shenzhen Haoxuntong Industry Co. Ltd. in the Company pursuant to Part XV of the SFO.

REPORT OF THE DIRECTORS

(b) Long position — interests in associated corporations

Director	Associated corporation	Type of interests	Approximate percentage of holding of the total share capital of the associated corporation
Chen Zhi Lie (陳志列)	Shenzhen Yanxiang Wangke Industry Co., Ltd.	Beneficial owner Family	70% 4.5%
Wang Rong (王蓉)	Shenzhen Yanxiang Wangke Industry Co., Ltd.	Beneficial owner Family	4.5% 70%

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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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
Shenzhen Yanxiang Wangke Industry Co., Ltd. (Note)	Registered and beneficial owner of the Domestic Shares	840,635,928	Domestic Shares	90.90%	68.17%
Chen Zhi Lie (陳志列) (Note)	Interest of a controlled corporation	840,635,928	Domestic Shares	90.90%	68.17%
Shenzhen Haoxuntong Industry Co., Ltd.	Registered and beneficial owner of the Domestic Shares	46,239,600	Domestic Shares	5.00%	3.75%

Note:

Mr. Chen Zhi Lie is the beneficial owner of 70% interests in Shenzhen Yanxiang Wangke Industry Co., Ltd. and is deemed to be interested in the Domestic Shares owned by Shenzhen Yanxiang Wangke Industry 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 Shenzhen Yanxiang Wangke Industry Co., Ltd..

Save as disclosed above:

(i) 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 which will be required pursuant to rules 5.46 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange as at 31 December 2008; and

REPORT OF THE DIRECTORS

(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 2008, 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 2008, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2008, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 2008.

COMPETING INTERESTS

None of the directors, initial management shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BANK LOANS

As at 31 December 2008, the bank loans of the Group are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles and the related laws of the PRC, which oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CAPITAL COMMITMENTS

As at 31 December 2008, the Group had a contracted but not provided for commitments amounting to approximately RMB198,589,000 (2007:RMB96,574,000) in respect of construction of a services outsourcing centre in Wuxi, the PRC and purchase of land lease prepayments.

AUDITOR

A resolution for the appointment of the Company's auditor is to be submitted to the annual general meeting.

By Order of the Board

EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED*
Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2009

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has conducted review on its internal governance measures against the provisions as set out in the Code on Corporate Governance Practices (the "Code"). A number of internal governance measures have been introduced to the management of the Company in order to bring up their awareness of the Code. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

BOARD COMPOSITION

The Board comprises seven Directors, with three executive Directors, namely Chen Zhi Lie (Chairman), Tso Cheng Shun and Zhu Jun, four independent non-executive Directors, namely Wen Bing, Zhou Hong, Dong Lixin and Wang Tian Xiang.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers each of the independent non-executive Directors to be independent.

The main responsibilities of the Board includes:

- to implement resolutions of the general meetings;
- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget;
- to formulate the Company's internal control system and its effective implementation

The Board has delegated the day-to-day management responsibility to the management staff under the instruction/ supervision of General Manager and various Board committees.

CORPORATE GOVERNANCE REPORT

During the year, 6 full board meetings were held and the attendance of each director is set out as follows:

Name of director	**Attendance**
Chen Zhi Lie *(Chairman)*	6/6
Tso Cheng Shun	6/6
Zhu Jun	6/6
Wen Bing	6/6
Zhou Hong	6/6
Dong Lixin	6/6
Wang Tian Xiang	6/6

The board meets regularly and at least four times a year and notice of at least 14 days is given to all directors. All directors have access to the services of the company secretary and secretary of the board. Minutes of board meetings are kept by the company secretary and secretary of the board and sent to all directors for their comment and records.

The Company has received written confirmations from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and considers all independent non-executive to be independent.

CHAIRMAN AND GENERAL MANAGER

The Chairman and general manager of the Company are Chen Zhi Lie and Sun Wei 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.

REMUNERATION AND REVIEW COMMITTEE

The remuneration and review committee was established in August 2005. The committee comprises Mr. Wen Bing (Chairman), Ms. Zhou Hong who are the independent non-executive directors of the Company and Mr. Zhu Jun, an executive director of the Company. The main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors. The remuneration and review committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration and review committee meets regularly to determine the policy for the remuneration of directors and assess the performance of executive directors and certain senior management of the Company. During the year of 2008, one remuneration committee meeting was held, the individual attendance of each member is set out below:

Name of member	**Attendance**
Wen Bing *(Chairman)*	1/1
Zhu Jun	1/1
Zhou Hong	1/1

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 9 to the financial statements

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee. All the Company's directors have appointed for a term of office for 3 years. The Board is empowered under the articles of association to appoint any person as a director to fill a causal vacancy. All directors and supervisors were re-elected and appointed at the annual general meeting held on 30 May 2006.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, auditors' remuneration for audit services is approximately HK$750,000 (2007:HK$650,000). Other than audit, no services such as due diligence and other advisory services were provided.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members. The duties of the audit committee include:

1. Supervising the accounting and financial reporting procedure and reviewing the financial statements of the Group;

2. Studying carefully all proceedings proposed by the qualified accountant, compliance officers and auditors of the Group;

3. Examining and monitoring the internal control system adopted by the Group;

4. Reviewing the relevant work of the Group's external auditor.

Members of the audit committee possess high sense of responsibilities. They have contributed their times and efforts to ensure the board is more effective and objective.

The audit committee meets quarterly to review the reporting of financial and other information to shareholders, the effectiveness and objectivity of the internal control process, and also reviewed all the Group's annual report, half-yearly report, quarterly reports and announcements. The audit committee also provides an important link between the Board and the Company's auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2008, four audit committee meetings were held and the individual attendance of each member is set out below:

Name of member	Attendance
Zhou Hong *(Chairperson)*	4/4
Wen Bing	4/4
Wang Tian Xiang	4/4

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 GEM 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, 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 and public welfare fund 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 2009

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of EVOC Intelligent Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 84, which comprise the consolidated and the Company balance sheets as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the profit and cash flows of the Group 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.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate number P02038
30 March 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	6	**1,211,090**	602,626
Cost of sales		**(907,669)**	(370,972)
Gross profit		**303,421**	231,654
Other income	6	**57,354**	19,892
Valuation (loss)/gain on investment properties	15	**(4,707)**	27,620
Selling and distribution costs		**(50,759)**	(39,948)
Administrative expenses		**(97,180)**	(30,291)
Other operating expenses		**(49,188)**	(36,941)
Finance costs	7	**(48,031)**	(12,173)
Profit before taxation	8	**110,910**	159,813
Income tax	11(a)	**(13,687)**	(5,377)
Profit for the year		**97,223**	154,436
Attributable to:			
Equity holders of the Company	12	**113,262**	154,433
Minority interest		**(16,039)**	3
		97,223	154,436
Dividend	12	**—**	—
Earnings per share — Basic (RMB)	13	**0.092**	0.125

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**372,522**	323,806
Investment properties	15	**58,330**	61,271
Lease prepayments	16	**992,867**	1,020,259
Deposit for acquisition of prepaid land lease	22	**5,000**	—
Goodwill	17	**24,470**	24,470
Deferred tax assets	27	**1,709**	3,133
		1,454,898	1,432,939
Current assets			
Inventories	19	**89,629**	91,148
Trade receivables	20	**143,753**	129,174
Bills receivables	21	**9,141**	18,259
Income tax receivable		**2,654**	61
Lease prepayments	16	**28,883**	31,506
Other receivables, deposits and prepayments	22	**31,882**	40,018
Cash and cash equivalents	23	**1,024,017**	571,061
		1,329,959	881,227
Current liabilities			
Bank borrowings	24	**588,000**	280,000
Trade payables	25	**112,957**	104,396
Bills payable	25	**13,099**	543
Income tax payable		**13,739**	6,336
Other payables and accruals	26	**302,887**	286,142
Amounts due to minority shareholders		**—**	9,400
		1,030,682	686,817
Net current assets		**299,277**	194,410
Total assets less current liabilities		**1,754,175**	1,627,349
Non-current liabilities			
Bank borrowings	24	**192,000**	150,000
Deferred tax liabilities	27	**195,662**	189,807
		387,662	339,807
Net assets		**1,366,513**	1,287,542

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000
EQUITY			
Share capital	28	**123,314**	123,314
Reserves	29(a)	**593,003**	497,993
Equity attributable to equity holders of the Company		**716,317**	621,307
Minority interests		**650,196**	666,235
Total equity		**1,366,513**	1,287,542

The accompanying notes form part of these financial statements.

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**291,684**	278,170
Investment properties	15	**58,330**	61,271
Lease prepayments	16	**5,511**	5,637
Investments in subsidiaries	18	**151,312**	127,225
Deposit for acquisition of prepaid land lease	22	**5,000**	—
Deferred tax assets	27	**—**	1,736
		511,837	474,039
Current assets			
Inventories	19	**91,602**	99,387
Trade receivables	20	**44,198**	93,468
Bills receivable	21	**8,592**	18,179
Income tax receivable		**2,654**	3
Lease prepayments	16	**126**	126
Other receivables, deposits and prepayments	22	**27,047**	38,105
Cash and cash equivalents	23	**1,014,056**	545,486
		1,188,275	794,754
Current liabilities			
Bank borrowings	24	**588,000**	280,000
Trade payables	25	**48,986**	81,439
Bills payable	25	**13,099**	543
Income tax payable		**—**	6,253
Other payables and accruals	26	**45,179**	48,878
Amounts due to subsidiaries	18	**170,249**	183,650
		865,513	600,763
Net current assets		**322,762**	193,991
Total assets less current liabilities		**834,599**	668,030
Non-current liabilities			
Bank borrowings	24	**192,000**	150,000
Deferred tax liabilities	27	**30,900**	26,656
		222,900	176,656
Net assets		**611,699**	491,374

BALANCE SHEET

AT 31 DECEMBER 2008

	Note	**2008 RMB'000**	2007 RMB'000
EQUITY			
Share capital	28	**123,314**	123,314
Reserves	29(b)	**488,385**	368,060
Total equity		**611,699**	491,374

The accompanying notes form part of these financial statements.

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29)	Statutory surplus reserve RMB'000 (Note 29)	Properties revaluation reserve RMB'000 (Note 29)	Translation reserve RMB'000 (Note 29)	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
At 31 December 2006	**102,762**	**29,138**	**40,250**	**—**	**—**	**201,509**	**373,659**	**997**	**374,656**
Net income recognised directly in equity									
Revaluation gain of buildings, net of deferred tax (Note 14)	—	—	—	93,215	—	—	93,215	—	93,215
Profit for the year	—	—	—	—	—	154,433	154,433	3	154,436
Total recognised income and expense for the year	—	—	—	93,215	—	154,433	247,648	3	247,651
Capitalisation issue (Note 28)	20,552	(20,552)	—	—	—	—	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(1,000)	(1,000)
Acquisition of interest in a subsidiary	—	—	—	—	—	—	—	666,235	666,235
Appropriation	—	—	14,061	—	—	(14,061)	—	—	—
At 31 December 2007	**123,314**	**8,586**	**54,311**	**93,215**	**—**	**341,881**	**621,307**	**666,235**	**1,287,542**
Net loss recognised directly in equity									
Exchange differences arising on translation of overseas operations	—	—	—	—	565	—	565	—	565
Revaluation loss of buildings, net of deferred tax (Note 14)	—	—	—	(18,817)	—	—	(18,817)	—	(18,817)
Profit for the year	—	—	—	—	—	113,262	113,262	(16,039)	97,223
Total recognised income and expense for the year	—	—	—	(18,817)	565	113,262	95,010	(16,039)	78,971
Appropriation	—	—	9,722	—	—	(9,722)	—	—	—
At 31 December 2008	**123,314**	**8,586**	**64,033**	**74,398**	**565**	**445,421**	**716,317**	**650,196**	**1,366,513**

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RMB'000	2007 RMB'000
Operating activities		
Profit before taxation	**110,910**	159,813
Adjustments for:		
Bank interest expenses	**44,106**	9,112
Bank interest income	**(21,505)**	(3,502)
Depreciation and amortisation	**55,664**	13,981
Allowance/(reversal of allowance) for impairment loss on trade receivables	**2,539**	(444)
Decrease in provision for slow moving inventories	**(1,036)**	—
Loss on disposal of property, plant and equipment	**298**	135
Decrease/(increase) in fair value of investment properties	**4,707**	(27,620)
Operating cash flows before working capital changes	**195,683**	151,475
Decrease/(increase) in inventories	**2,498**	(52,919)
Increase in trade and bills receivables	**(8,555)**	(106,043)
Decrease/(increase) in other receivables, deposits and prepayments	**9,449**	(28,470)
Increase in trade and bills payables	**31,570**	77,186
Increase/(decrease) in other payables and accruals	**6,389**	(29,379)
Cash generated from operations	**237,034**	11,850
Interest paid	**(44,106)**	(9,112)
PRC income tax paid	**(5,934)**	(4,249)
Net cash generated from/(used in) operating activities	**186,994**	(1,511)
Investing activities		
Interest received	**21,505**	3,502
Deposit paid for acquisition of prepaid land lease	**(5,000)**	—
Purchase of property, plant and equipment	**(92,900)**	(74,031)
Increase in time deposits with original maturity of more than three months when acquired	**(357,780)**	(402,220)
Decrease in pledged bank balances	**10,249**	1,349
Proceeds from disposal of property, plant and equipment	**1,985**	796
Payments to acquire additional interest in a subsidiary	**—**	(1,000)
Acquisition of interests in subsidiaries, net of cash acquired	**—**	22,858
Net cash used in investing activities	**(421,941)**	(448,746)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000
Financing activities			
Proceeds from new bank borrowings		**800,000**	430,000
Repayment of bank borrowings		**(450,000)**	—
Repayment of advances from a minority shareholder		**(9,400)**	(49,000)
Net cash generated from financing activities		**340,600**	381,000
Net increase/(decrease) in cash and cash equivalents		**105,653**	(69,257)
Cash and cash equivalents at beginning of year		**88,563**	157,820
Effect of foreign exchange rate changes		**(228)**	—
Cash and cash equivalents at end of year		**193,988**	88,563
Analysis of the balances of cash and cash equivalents			
Cash and bank balances, excluding pledged bank balances	23	**193,988**	88,563

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

1. CORPORATE INFORMATION

EVOC Intelligent Technology Company Limited (the "Company") is a limited liability company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at EVOC Technology Building, No 31 Gaoxingzhongsi Avenue, Nanshan District, Shenzhen, the PRC.

During the year, the Group engages in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products in Mainland China. The activities of the subsidiaries are set out in Note 18 to the financial statements.

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

In the current year, the Group has adopted all of the new and revised HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new interpretations and amendments did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) — Int 11 "HKFRS 2 — Group and treasury share transactions", HK(IFRIC) — Int 12 "Service concession arrangements", HK(IFRIC) — Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective Date
HKSA 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendments)	Vesting conditions and cancellations	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Financial instruments: recognition and measurement — eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Hong Kong Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of buildings and investment properties.

(c) Consolidation

The financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions between Group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Consolidation (Continued)

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 3(f) to the financial statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of revalued buildings, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained profits. No transfer is made from the properties revaluation reserve to retained profits when an asset is derecognised.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

(i) Owner occupied leasehold interest in land

The land and buildings elements of a lease are considered separately for the purposes of lease classifications. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land use rights are classified as lease prepayments, which are carried at cost and amortised over the lease term on a straight-line basis. The unamortised lease prepayments for land use rights have been separately shown in the consolidated and Company balance sheets under current and non-current assets.

(j) 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.

(k) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Impairment of assets excluding goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(m) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

(i) Loans and receivables

The Group classifies its financial assets into loans and receivables based on the purpose for which the assets were acquired.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(ii) Impairment of financial assets

Loan and other receivables are assessed for indicators of impairment at each balance sheet date. Loan and other receivables are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the loan and other receivables, the estimated future cash flows of the assets have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty;

— default or delinquency in interest or principal payments;

— probability that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss determined and recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determines had no impairment loss been recognised in prior years.

The impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(n) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

The Group classifies its financial liabilities as other financial liabilities based on the purpose for which the liabilities were incurred.

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(p) Leases

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

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on a straight-line basis over the lease term.

As lessee

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs in Note 3(w). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

(ii) Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Items included in the financial statements of the Company are measured using Renminbi, the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Renminbi.

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 the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi, using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Employees' benefits

(i) Short term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

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.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(x) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(y) 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. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

(i) Revenue from the sale of products is recognised on the transfer of ownership, which generally coincides with the time of shipment.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year, including additions resulting from acquisitions through purchases of subsidiaries.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

4. 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.

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

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.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

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

Key sources of estimation uncertainty (Continued)

Provision against slow-moving inventories

Provision for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision amount required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/written back in the period in which the estimate has been changed.

Provision for doubtful debts

Provision for doubtful debts is made based on assessment of the recoverability of trade debtors and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. SEGMENT INFORMATION

The Group operates one business segment, which is the research, development, manufacture and distribution of APA products and therefore, no further business segment analysis is presented.

No geographical segment analysis is presented as the Group's operations were substantially carried out in Mainland China during the years ended 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

6. TURNOVER AND OTHER INCOME

Turnover, which is also revenue, represents the invoiced value of goods supplied to customers.

	2008 RMB'000	2007 RMB'000
Turnover		
Sale of APA products	**1,211,090**	602,626
Other income		
Value-added tax ("VAT") concession*	**13,422**	12,607
Bank interest income	**21,505**	3,502
Gross rentals from investment properties (Note 15)	**10,946**	1,698
Government subsidies#	**7,856**	989
Sub-contracting income	**2,218**	514
Others	**1,407**	582
	57,354	19,892

* Being VAT refunds obtained from the Shenzhen Futian District State Tax Bureau in respect of sales of approved software and integrated circuit products.

Being financial incentives granted by the PRC government to enterprises that engage in developing high-technology products.

7. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest expense:		
Bank borrowings wholly repayable within five years	**28,931**	8,068
Bank borrowings repayable beyond five years	**15,175**	1,044
Bank charges	**3,925**	2,648
Others	**—**	413
	48,031	12,173

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	Notes	2008 RMB'000	2007 RMB'000
Cost of inventories sold	19	**907,669**	370,972
Depreciation	14	**25,649**	13,855
Amortisation of land lease prepayments	16	**30,015**	126
Research and development costs:			
Current year expenditure		**48,630**	36,259
Minimum lease payments under operating leases in respect of land and buildings		**13,870**	8,113
Auditor's remuneration		**660**	650
Staff costs (including remuneration of directors):			
Salaries, bonus and allowances		**71,142**	40,354
Retirement benefits scheme contributions		**7,375**	4,022
Allowance/(reversal of allowance) for impairment loss on trade receivables	20	**2,539**	(444)
Loss on disposal of property, plant and equipment		**298**	135
Direct operating expenses (including repairs and maintenance) arising on rental income from investment properties	15	**6,669**	3,805
Foreign exchange differences, net		**281**	68

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2008 RMB'000	2007 RMB'000
Fees	**48**	48
Other emoluments:		
Salaries, allowances and benefits in kind	**174**	174
Retirement benefits scheme contributions	**11**	17
	185	191
	233	239

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

9. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2008	2007
	RMB'000	RMB'000
Ms Wen Bing	**12**	12
Mr Zhou Hong	**12**	12
Mr Dong Li Xin	**12**	12
Mr Wang Tian Xiang	**12**	12
	48	48

There were no other emoluments payable to the independent non-executive directors during the year (2007: nil).

(b) Executive directors

	Fees	**Salaries, allowances and benefits in kind**	**Retirement benefits scheme contributions**	**Total emoluments**
	RMB'000	RMB'000	RMB'000	RMB'000
2008				
Mr Chen Zhi Lie	**—**	**77**	**5**	**82**
Mr Tso Cheng Shun	**—**	**20**	**—**	**20**
Mr Zhu Jun	**—**	**77**	**6**	**83**
	—	**174**	**11**	**185**
2007				
Mr Chen Zhi Lie	—	77	7	84
Mr Tso Cheng Shun	—	20	—	20
Mr Zhu Jun	—	77	10	87
	—	174	17	191

9. DIRECTORS' REMUNERATION (Continued)

(c) Supervisors

	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000
2008			
Zhang Zheng An	**20**	**—**	**20**
Zhan Guo Nian	**20**	**—**	**20**
Pu Jing	**20**	**—**	**20**
	60	**—**	**60**
2007			
Zhang Zheng An	20	—	20
Zhan Guo Nian	20	—	20
Pu Jing	20	—	20
	60	—	60

(d) During the year, 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 (2007: nil). None of the directors and supervisors waived any emoluments during the year (2007: nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2007: include one director), details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining five (2007: four) non-director, highest paid employees for the year are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**814**	534
Retirement benefits scheme contributions	**34**	35
	848	569

The remuneration of each of the non-director, highest paid employees fell within the range from nil to HK$1,000,000 (equivalent to RMB909,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

10. FIVE HIGHEST PAID EMPLOYEES (Continued)

During the year ended 31 December 2008, the five non-director, highest paid employees of the Group received emoluments of RMB460,000, RMB105,000, RMB100,000, RMB95,000 and RMB88,000. During the year ended 31 December 2007, the four non-director, highest paid employees of the Group received emoluments of RMB279,000, RMB110,000, RMB90,000 and RMB90,000.

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 (2007: nil).

11. INCOME TAX

2007:-

The Company, Shenzhen EVOC Software Technology Company Limited ("Shenzhen EVOC") and Shenzhen EVOC Xinteer Technology Company Limited ("Xinteer") are located in the Shenzhen Special Economic Zone and were eligible to enjoy concessionary enterprise income tax ("EIT") rate of 15% in 2007.

Also, in accordance with the relevant income tax laws and regulations in the PRC, Shenzhen EVOC was exempt from EIT for two years commencing from its first year with assessable profits (ie 2006) after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years. Accordingly, Shenzhen EVOC was fully exempt from EIT in 2007.

The branches and other subsidiaries of the Company located in various cities of Mainland China were subject to the statutory EIT rate of 33% on their assessable profits in 2007.

Xinteer had not provided for any EIT since it has no taxable income for 2007.

2008:-

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified EIT rate of 25% will be applied to both domestic invested enterprise and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company, Shenzhen EVOC and Xinteer can continue to enjoy the preferential tax rates during the transitional period. The Company and Xinteer are subject to EIT rate of 18% and Shenzhen EVOC is entitled to a 50% tax exemption (ie subject to a rate of 9%) in 2008.

The branches and other subsidiaries of the Company located in various cities of Mainland China were subject to the statutory EIT rate of 25% on their assessable profits in 2008.

Hong Kong EVOC International Technology Company Limited ("HK EVOC"), a subsidiary incorporated in Hong Kong during 2008, was subject to Hong Kong profits tax at 16.5% in 2008.

Xinteer and HK EVOC have not provided for any tax since they have no taxable income for 2008.

11. INCOME TAX (Continued)

(a) Taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	RMB'000
Current tax — PRC		
Provision for the year	**14,390**	7,288
Over-provision in respect of prior year	**(3,646)**	(743)
	10,744	6,545
Deferred taxation (Note 27)		
Origination and reversal of temporary differences, net	**2,943**	(1,168)
Total income tax expense	**13,687**	5,377

(b) Taxation charge of the Group for the year can be reconciled to the profit before taxation as stated in the financial statements as follows:-

	2008	2007
	RMB'000	RMB'000
Profit before taxation	**110,910**	159,813
Tax at the statutory tax rate of 25% (2007: 33%)	**27,728**	52,738
Deferred tax not recognised	**6,360**	1,461
Utilisation of previously unrecognised tax loss	**(100)**	(8)
Tax effect of expenses not deductible for taxation purpose	**1,719**	232
Effect of tax exemption and reduction	**(15,020)**	(47,077)
Tax effect of non-taxable items	**(3,427)**	(297)
Over-provision in prior year	**(3,646)**	(5,587)
Change in tax rate	**—**	3,765
Others	**73**	150
Tax expense	**13,687**	5,377

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

12. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB138,577,000 (2007: RMB52,861,000) (Note 29).

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2008	2007
Profit for the year for the purpose of basic earnings per share calculation	**RMB113,262,000**	RMB154,433,000
Shares in issue for full year	**1,233,144,000**	1,027,620,000
Capitalisation issue on 30 May 2007	**—**	205,524,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,233,144,000**	1,233,144,000

The weighted average number of ordinary shares in issue for 2007 is determined as if the capitalisation issue as described in Note 28 had taken place on 1 January 2007.

There is no diluted earnings per share since the Company has no dilutive potential shares.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

14. 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:							
At 31 December 2006	5,746	1,923	16,793	16,366	2,337	120,392	163,557
Additions	—	28	1,052	10,902	10,487	51,562	74,031
Acquisition of a subsidiary (Note 30)	—	—	—	37	430	42,930	43,397
Transfer from construction in progress	86,935	30,679	—	24,883	—	(142,497)	—
Disposals	—	—	(217)	(1,755)	(4)	—	(1,976)
Reclassified as investment properties (Note 15)	(5,746)	—	—	—	—	(29,457)	(35,203)
Revaluation gain	111,394	—	—	—	—	—	111,394
At 31 December 2007	198,329	32,630	17,628	50,433	13,250	42,930	355,200
Additions	—	1,045	25,472	17,199	1,064	48,120	92,900
Transfer from construction in progress	—	7,050	1,081	6,789	—	(14,920)	—
Disposals	—	(16)	(967)	(3,216)	(43)	—	(4,242)
Reclassified as investment properties (Note 15)	—	—	—	—	—	(1,766)	(1,766)
Revaluation loss	(18,393)	—	—	—	—	—	(18,393)
Exchange realignment	—	—	—	(10)	—	—	(10)
As at 31 December 2008	179,936	40,709	43,214	71,195	14,271	74,364	423,689
Accumulated depreciation:							
At 31 December 2006	1,293	1,852	7,430	10,930	913	—	22,418
Charge for the year (Note 8)	2,541	3,649	1,553	5,296	816	—	13,855
Written back on disposal	—	—	(131)	(910)	(4)	—	(1,045)
Reclassified as investment properties	(1,552)	—	—	—	—	—	(1,552)
Eliminated on revaluation	(2,282)	—	—	—	—	—	(2,282)
As at 31 December 2007	—	5,501	8,852	15,316	1,725	—	31,394
Charge for the year (Note 8)	3,912	7,046	2,961	9,319	2,411	—	25,649
Written back on disposal	—	(6)	(250)	(1,664)	(39)	—	(1,959)
Exchange realignment	—	—	—	(5)	—	—	(5)
Eliminated on revaluation	(3,912)	—	—	—	—	—	(3,912)
As at 31 December 2008	—	12,541	11,563	22,966	4,097	—	51,167
Carrying amount:							
As at 31 December 2008	179,936	28,168	31,651	48,229	10,174	74,364	372,522
As at 31 December 2007	198,329	27,129	8,776	35,117	11,525	42,930	323,806

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	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:							
At 31 December 2006	5,746	1,923	16,782	15,361	1,791	120,392	161,995
Additions	—	—	1,052	9,226	10,487	51,562	72,327
Transfer from construction in progress	86,935	30,679	—	24,883	—	(142,497)	—
Disposals	—	—	(217)	(1,720)	(4)	—	(1,941)
Reclassified as investment properties (Note 15)	(5,746)	—	—	—	—	(29,457)	(35,203)
Revaluation gain	111,394	—	—	—	—	—	111,394
At 31 December 2007	198,329	32,602	17,617	47,750	12,274	—	308,572
Additions	—	176	25,472	13,124	801	16,685	56,258
Transfer from construction in progress	—	7,050	1,081	6,788	—	(14,919)	—
Disposals	—	—	(967)	(2,892)	(43)	—	(3,902)
Reclassified as investment properties (Note 15)	—	—	—	—	—	(1,766)	(1,766)
Revaluation loss	(18,393)	—	—	—	—	—	(18,393)
Exchange realignment	—	—	—	(10)	—	—	(10)
As at 31 December 2008	179,936	39,828	43,203	64,760	13,032	—	340,759
Accumulated depreciation:							
At 31 December 2006	1,293	1,852	7,430	10,390	875	—	21,840
Charge for the year	2,541	3,649	1,553	4,999	668	—	13,410
Written back on disposal	—	—	(131)	(879)	(4)	—	(1,014)
Reclassified as investment properties	(1,552)	—	—	—	—	—	(1,552)
Eliminated on revaluation	(2,282)	—	—	—	—	—	(2,282)
As at 31 December 2007	—	5,501	8,852	14,510	1,539	—	30,402
Charge for the year	3,912	6,916	2,961	8,389	2,207	—	24,385
Written back on disposal	—	—	(250)	(1,506)	(39)	—	(1,795)
Exchange realignment	—	—	—	(5)	—	—	(5)
Eliminated on revaluation	(3,912)	—	—	—	—	—	(3,912)
As at 31 December 2008	—	12,417	11,563	21,388	3,707	—	49,075
Carrying amount:							
As at 31 December 2008	179,936	27,411	31,640	43,372	9,325	—	291,684
As at 31 December 2007	198,329	27,101	8,765	33,240	10,735	—	278,170

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The buildings held by the Group and the Company were revalued at 31 December 2008 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by American Appraisal China Limited, a firm of independent chartered surveyors with recent experience in the location and category of property being valued. The revaluation loss, net of applicable deferred tax, of RMB18,817,000 (2007: revaluation surplus, net of applicable deferred tax, of RMB93,215,000), has been transferred to the properties revaluation reserve.

Had these buildings been carried at historical cost less accumulated depreciation, the carrying amount as at 31 December 2008 would have been RMB80,741,000 (2007: RMB84,653,000).

(b) At 31 December 2008, the buildings of the Group and the Company are not freely transferable (Note 16(b)).

(c) The Group has pledged buildings having a carrying amount at 31 December 2008 of RMB179,936,000 (2007: RMB198,329,000) to secure a banking facility granted to the Group (Note 24).

(d) The Group's buildings are located in Mainland China and held under a medium term lease commencing from 27 November 2003.

15. INVESTMENT PROPERTIES

	Group and Company	
	2008	2007
	RMB'000	RMB'000
Carrying amount, at fair value		
At beginning of year	**61,271**	—
Transfer from property, plant and equipment (Note 14)	**1,766**	33,651
Fair value adjustment	**(4,707)**	27,620
At end of year	**58,330**	61,271

All the Group's investment properties were revalued as at 31 December 2008 and 2007 at their open market value either by reference to recent market transactions in comparable properties or on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by American Appraisal China Limited, a firm of independent chartered surveyors with recent experience in the location and category of properties being valued.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB10,946,000 (2007: RMB1,698,000) (Note 6). Direct operating expenses arising on the investment properties in the year amounted to RMB6,669,000 (2007: RMB3,805,000) (Note 8).

The Group's investment properties are held in Mainland China under medium term leases.

At 31 December 2008, investment properties of the Group and the Company with a carrying value of RMB58,330,000 (2007: RMB49,671,000) are not freely transferable (Note 16(b)). These investment properties are pledged to secure banking facilities granted to the Group (Note 24).

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(Expressed in Renmibi unless stated otherwise)

16. LEASE PREPAYMENTS

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Cost				
At beginning of the year	**1,052,279**	**6,277**	6,277	6,277
Acquisition of a subsidiary (Note 30)	**—**	**—**	1,046,002	—
At end of year	**1,052,279**	**6,277**	1,052,279	6,277
Accumulated amortisation				
At beginning of year	**514**	**514**	388	388
Charge for the year (Note 8)	**30,015**	**126**	126	126
At end of year	**30,529**	**640**	514	514
Carrying amount				
At 31 December	**1,021,750**	**5,637**	1,051,765	5,763
Less: Current portion included under current assets	**(28,883)**	**(126)**	(31,506)	(126)
Non-current portion	**992,867**	**5,511**	1,020,259	5,637

(a) The Group's and the Company's leasehold land is located in Mainland China.

(b) The piece of land in Shenzhen with a carrying value of RMB5,637,000 at 31 December 2008 (2007: RMB5,763,000) is held under a medium term lease, which has a term of 50 years commencing on 27 November 2003. The land is acquired at a concession discount on land premium and is not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

(c) The subsidiary acquired in 2007 holds a piece of land in Wuxi with a carrying value of RMB1,016,113,000 at 31 December 2008 (2007: RMB1,046,002,000) for a term of 40 years until 30 April 2044. This piece of land was valued by American Appraisal China Limited, a firm of chartered surveryors with recent experience in the location and category of properties valued. The subsidiary is in the process of applying for the relevant land use rights certificate of this piece of land. At 31 December 2008, the remaining land premium payable for this piece of land was RMB228,565,000 (2007: RMB228,565,000) (Note 26).

(d) The Group had pledged lease prepayments having a carrying amount of RMB5,637,000 at 31 December 2008 (2007: RMB5,763,000) to secure banking facilities granted to the Group (Note 24).

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(Expressed in Renminbi unless stated otherwise)

17. GOODWILL

	Group	
	2008	2007
	RMB'000	RMB'000
Cost and carrying amount		
At beginning of the year	**24,470**	—
Arising on acquisition of a subsidiary (Note 30)	**—**	24,470
At end of the year	**24,470**	24,470

The recoverable amount of the cash-generating unit of property development is determined based on the fair value less costs to sell by reference to the prevailing market prices on the properties held under development.

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2008	2007
	RMB'000	RMB'000
Unlisted equity investments, at cost	**151,312**	127,225

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2008 are as follows:

Name	Place of registration and operations and kind of legal entity	Registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited	PRC, limited liability company	RMB6,000,000	**100%**	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, limited liability company	RMB10,000,000	**100% (note 1)**	100%	Trading of electronic parts
上海市研祥智能技術有限公司 Shanghai EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB30,000,000	**100%**	100%	Research, development, manufacture and distribution of APA software products
北京市研祥興業國際科技有限公司 Beijing EVOC Xingye International Technology Company Limited	PRC, limited liability company	RMB30,000,000	**100%**	100%	Research, development and distribution of APA software products
無錫市江南大世界投資發展有限公司 Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited	PRC, limited liability company	RMB211,224,500	**51%**	51%	Development of a service outsourcing centre
廣州市研祥智能科技有限公司 Guangzhou EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB5,000,000	**100% (note 2)**	—	Research, development and distribution of APA software products
西安研祥智能科技有限公司 Xian EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100% (note 2)**	—	Research, development and distribution of APA software products
南京研祥智能科技有限公司 Nanjing EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100% (note 2)**	—	Research, development and distribution of APA software products
成都市研祥智能科技有限公司 Chengdu EVOC Intelligent Technology Company Limited	PRC, limited liability company	RMB3,000,000	**100% (note 2)**	—	Research, development, manufacture and distribution of APA software products
深圳市研祥通軟件有限公司	PRC, limited liability company	RMB10,000,000	**100% (note 2)**	—	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, limited liability company	HKD100,000	**100% (note 2)**	—	Research, development, manufacture and distribution of APA software products

Notes:

1) The 100% equity interest in this subsidiary is indirectly held by the Company. Equity interests in all other subsidiaries are directly held by the Company.

2) These companies were incorporated in 2008.

Amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

19. INVENTORIES

	2008		2007	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Raw materials	**29,298**	**29,274**	39,995	35,650
Work-in-progress	**15,134**	**15,134**	13,245	13,245
Finished goods	**50,312**	**51,949**	44,059	56,643
	94,744	**96,357**	97,299	105,538
Less: Provision for slow moving inventories	**(5,115)**	**(4,755)**	(6,151)	(6,151)
	89,629	**91,602**	91,148	99,387

The cost of inventories recognised as an expense during the year was RMB907,669,000 (2007: RMB370,972,000), of which RMB1,036,000 (2007: nil) was in respect of reversal of write-down of inventories made in prior years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 30 days to 90 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the foregoing and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

(a) An ageing analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
0 to 90 days	**130,142**	**34,763**	115,753	86,976
91 to 180 days	**8,446**	**6,373**	9,050	4,401
181 to 365 days	**2,864**	**985**	2,939	659
Over 1 year	**6,324**	**5,875**	2,916	2,916
Trade receivables	**147,776**	**47,996**	130,658	94,952
Less: Allowance for doubtful debts	**(4,023)**	**(3,798)**	(1,484)	(1,484)
	143,753	**44,198**	129,174	93,468

(b) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
At beginning of year	**1,484**	**1,484**	1,928	1,921
Additional allowance for the year (Note 8)	**2,539**	**2,314**	—	—
Reversal of allowance for the year (Note 8)	**—**	**—**	(444)	(437)
At end of year	**4,023**	**3,798**	1,484	1,484

The provision of RMB4,023,000 (2007: RMB1,484,000) has been made for estimated irrecoverable amounts from the sale of goods. The provision has been determined by reference to past default experience.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

20. TRADE RECEIVABLES (Continued)

(c) The ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired is as follows:

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Neither past due nor impaired	**118,509**	**25,029**	118,166	89,390
1 to 3 months past due	**8,446**	**6,373**	6,636	1,987
Over 3 months past due	**4,669**	**2,566**	2,940	659
	131,624	**33,968**	127,742	92,036

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

21. BILLS RECEIVABLE

Bills receivable are aged within six months. None of the bills receivable is either past due, impaired or relate to receivables for which there was recent history of default.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Other receivables	**19,043**	**16,267**	6,946	5,510
Deposits	**1,923**	**671**	1,225	1,050
Prepayments	**15,916**	**15,109**	31,847	31,545
	36,882	**32,047**	40,018	38,105
Less: Portion classified as current assets	**(31,882)**	**(27,047)**	(40,018)	(38,105)
Non-current portion	**5,000**	**5,000**	—	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

23. CASH AND CASH EQUIVALENTS

	2008		2007	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank balances	**194,017**	**184,056**	98,841	95,486
Time deposits	**830,000**	**830,000**	472,220	450,000
Cash and cash equivalents	**1,024,017**	**1,014,056**	571,061	545,486

The bank balances of RMB29,000 (2007: RMB10,277,750) were pledged to a bank for issuance of bank guarantees to certain subcontractors of the Company.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods over three months depending on the immediate cash requirements of the Group, and each interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2008, a majority of cash and bank balances was denominated in RMB. RMB is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the cash and cash equivalents approximate their fair values.

24. BANK BORROWINGS

	Group and Company	
	2008	2007
	RMB'000	RMB'000
Bank loans		
— secured	**480,000**	150,000
— unsecured	**300,000**	280,000
	780,000	430,000
The borrowings are repayable as follows:		
On demand or within one year	**588,000**	280,000
After one year but within two years	**16,000**	8,000
After two years but within five years	**92,000**	72,000
After five years	**84,000**	70,000
	192,000	150,000
	780,000	430,000

24. BANK BORROWINGS (Continued)

The Group has five principal bank loans:

(i) a loan of RMB100,000,000 (2007: nil) which is due for repayment in December 2009, secured by a corporate guarantee given by the ultimate holding company of the Company (Note 33), and carries interest at 5.58% per annum.

(ii) a loan of RMB200,000,000 (2007: RMB150,000,000) repayment of which should commence on 21 October 2009 and continue until 21 October 2015. The loan is secured by charges over certain of the Group's land, buildings and investment properties (Notes 14, 15 and 16), personal guarantees given by an executive director of the Company and his spouse and a corporate guarantee given by the ultimate holding company of the Company (Note 33), and carries interest at 7.74% (2007: 7.83%) per annum.

(iii) a loan of RMB280,000,000 (2007: RMB280,000,000) which is due for repayment in July 2009. The loan is secured by charges over certain of the Group's investment properties and a personal guarantee given by an executive director of the Company (Notes 15 and 33), and carries interest at 8.217% (2007: 5.913%) per annum.

(iv) a loan of RMB50,000,000 (2007: nil) which is due for repayment in August 2009, secured by a personal guarantee given by an executive director of the Company and charges over a property of the executive director with an open market value of RMB5,178,000 and a corporate guarantee given by the ultimate holding company of the Company (Note 33), and carries interest at 8.217% per annum.

(v) a loan of RMB150,000,000 (2007: nil) which is due for repayment in February 2009, secured by a corporate guarantee given by the ultimate holding company of the Company (Note 33), and carries interest at 7.27% per annum. The loan was fully repaid at maturity.

At 31 December 2008, the Group had no available undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2007: RMB50,000,000).

NOTES TO THE FINANCIAL STATEMENTS

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25. TRADE PAYABLES AND BILLS PAYABLE

	2008		2007	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	**112,957**	**48,986**	104,396	81,439
Bills payable	**13,099**	**13,099**	543	543
	126,056	**62,085**	104,939	81,982

An ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2008		2007	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
0 to 90 days	**122,232**	**58,271**	99,599	76,656
91 to 180 days	**2,442**	**2,442**	4,333	4,319
181 to 365 days	**512**	**502**	252	252
Over 1 year	**870**	**870**	755	755
	126,056	**62,085**	104,939	81,982

26. OTHER PAYABLES AND ACCRUALS

	2008		2007	
	Group	**Company**	Group	Company
	RMB'000	**RMB'000**	RMB'000	RMB'000
Payables for land lease premium and related tax (Note 16)	**228,565**	**—**	228,565	—
Other payables	**35,029**	**30,749**	44,746	38,307
Other taxes payable	**17,945**	**7,830**	9,231	8,362
Payables to sub-contractors	**11,840**	**—**	1,389	—
Accruals	**9,508**	**6,600**	2,211	2,209
	302,887	**45,179**	286,142	48,878

27. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

The Group	Unrealised profit on inter company transactions RMB'000	Amortisation of lease prepayments RMB'000	Revaluation of properties RMB'000	Doubtful debts and provision RMB'000	Total RMB'000
At 31 December 2006	—	—	—	—	—
Acquisition of a subsidiary	—	(7,079)	174,459	—	167,380
(Credited)/charged to profit or loss (Note 11(a))	(7,362)	—	6,905	(711)	(1,168)
Charged to equity (Note 14)	—	—	20,462	—	20,462
At 31 December 2007	(7,362)	(7,079)	201,826	(711)	186,674
Charged/(credited) to profit or loss (Note 11(a))	842	7,079	(4,697)	(281)	2,943
Charged to equity (Note 14)	—	—	4,336	—	4,336
At 31 December 2008	(6,520)	—	201,465	(992)	193,953

The Company	Unrealised profit on inter company transactions RMB'000	Amortisation of lease prepayments RMB'000	Revaluation of properties RMB'000	Doubtful debts and provision RMB'000	Total RMB'000
At 31 December 2006	—	—	—	—	—
(Credited)/charged to profit or loss	(1,736)	—	6,905	(711)	4,458
Charged to equity	—	—	20,462	—	20,462
At 31 December 2007	(1,736)	—	27,367	(711)	24,920
Charged/(credited) to profit or loss	1,736	—	105	(197)	1,644
Charged to equity	—	—	4,336	—	4,336
At 31 December 2008	—	—	31,808	(908)	30,900

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

27. DEFERRED TAXATION (Continued)

Deferred tax balances are presented in the balance sheet as follows:

	2008		2007	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Deferred tax assets	(1,709)	—	(3,133)	(1,736)
Deferred tax liabilities	195,662	30,900	189,807	26,656
	193,953	30,900	186,674	24,920

The Group has unused tax losses arising in the PRC of RMB72,458,000 (2007: RMB54,524,000) that can be carried forward for five years and unused losses arising in Hong Kong of RMB1,666,000 (2007: RMB1,139,000) 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:

	2008		2007	
	Group RMB'000	Company RMB'000	Group RMB'000	Company RMB'000
Year of expiry				
2008	—	—	3,713	3,713
2009	4,654	4,654	4,654	4,654
2010	15,898	2,223	15,898	2,223
2011	10,608	1,191	10,608	1,191
2012	19,489	2,270	19,651	2,270
2013	21,809	1,616	—	—
	72,458	11,954	54,524	14,051

No deferred tax assets have been recognised (2007: nil) as the availability of future taxable profit to utilise the temporary differences is not probable.

28. SHARE CAPITAL

	Number of shares	RMB'000
Registered:		
At 31 December 2006	1,027,620,000	102,762
Increase during the year	205,524,000	20,552
At 31 December 2007 and 31 December 2008	1,233,144,000	123,314

	Number of shares	RMB'000
Issued and fully paid:		
At 31 December 2006	1,027,620,000	102,762
Capitalisation issue	205,524,000	20,552
At 31 December 2007 and 31 December 2008	1,233,144,000	123,314

Pursuant to a shareholders' resolution passed in an annual general meeting on 30 May 2007, the Company issued new shares on the basis of 2 new ordinary shares of RMB0.1 each for every 10 existing shares of RMB0.1 each to all shareholders by capitalising a total amount of RMB20,552,400 in the share premium account. Upon capitalisation of the share premium account into share capital, the total number of ordinary shares of the Company in issue increased to 1,233,144,000 and aggregate share capital of the Company increased to RMB123,314,400.

29. 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 36.

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(Expressed in Renmibi unless stated otherwise)

29. 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 31 December 2006	29,138	37,412	—	—	175,986	242,536
Capitalisation issue (Note 28)	(20,552)	—	—	—	—	(20,552)
Revaluation gain of buildings, net of deferred tax	—	—	93,215	—	—	93,215
Profit for the year (Note 12)	—	—	—	—	52,861	52,861
Appropriation	—	3,993	—	—	(3,993)	—
At 31 December 2007	8,586	41,405	93,215	—	224,854	368,060
Revaluation loss of buildings, net of deferred tax	—	—	(18,817)	—	—	(18,817)
Exchange differences arising on translation of overseas operations	—	—	—	565	—	565
Profit for the year (Note 12)	—	—	—	—	138,577	138,577
Appropriation	—	13,530	—	—	(13,530)	—
At 31 December 2008	8,586	54,935	74,398	565	349,901	488,385

(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 Companies 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.

29. RESERVES (Continued)

(b) Company (Continued)

(iii) Properties revaluation reserve

This has been set up and is dealt with in accordance with the accounting policy in Note 3(g).

(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 3(t).

(v) Profit appropriations

In accordance with the Company's Articles of Association, the profit for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places in which its shares are listed.

30. ACQUISITION OF INTEREST IN SUBSIDIARIES

Effective from December 2007, the Group acquired 51% of the enlarged issued capital of Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited ("Jiang Nan Da Shi Jie"). This transaction has been accounted for using the acquisition method of accounting.

The Company has contracted to contribute RMB717,898,100 to acquire 51% of the enlarged capital of Jiang Nan Da Shi Jie, of which RMB61,224,500 had been paid up as at 31 December 2007 and the remaining RMB656,673,600 should be paid up in cash on or before 15 November 2009 (Note 32).

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30. ACQUISITION OF INTEREST IN SUBSIDIARIES (Continued)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Property, plant and equipment (Note 14)	43,397	—	43,397
Lease prepayments (Note 16)	348,163	697,839	1,046,002
Trade and other receivables	305	—	305
Bank and cash balances	22,858	—	22,858
Trade and other payables	(242,191)	—	(242,191)
Payable to the Company	(61,225)	—	(61,225)
Deferred tax assets/(liabilities) (Note 27)	7,079	(174,459)	(167,380)
	118,386	523,380	641,766
Capital injection			717,898
			1,359,664
Attributable to the Group (51%)			693,428
Goodwill (Note 17)			24,470
Total consideration			717,898
Net cash inflow arising on acquisition:			
Cash and cash equivalent balances acquired			22,858

31. 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 balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**12,282**	**3,514**	5,805	4,022
In the second to fifth years, inclusive	**8,278**	**1,491**	4,137	2,789
	20,560	**5,005**	9,942	6,811

As lessor

At the balance sheet date, the Group's and the Company's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Within one year	**8,345**	**8,345**	4,605	4,605
In the second to fifth years, inclusive	**12,715**	**12,715**	9,367	9,367
	21,060	**21,060**	13,972	13,972

32. CAPITAL COMMITMENTS

	2008		2007	
	Group RMB'000	**Company RMB'000**	Group RMB'000	Company RMB'000
Contracted but not provided for				
— capital contribution to a subsidiary (Note 30)	**—**	**656,674**	—	656,674
— payment of construction costs	**152,542**	**—**	96,574	—
— purchase of land lease prepayments	**46,047**	**46,047**	—	—
	198,589	**702,721**	96,574	656,674

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

33. RELATED PARTY TRANSACTIONS

At 31 December 2008, the directors consider the ultimate holding company of the Group to be 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) Amount due to a minority shareholder as 31 December 2007 was unsecured, interest-free and was repaid in full during 2008.

(b) 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 and charges over a property of the executive director with an open market value of RMB5,178,000 (Note 24).

(c) Rental income of RMB1,368,000 (2007: nil) was received from a related company controlled by an executive director of the Company. The rental was calculated with reference to market rate.

(d) Members of key management during the year comprised the three executive directors only whose remuneration is set out in Note 9 to the financial statements.

34. CAPITAL RISK MANAGEMENT

The Group'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 shareholder 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.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

34. CAPITAL RISK MANAGEMENT (Continued)

The net debt-to-adjusted capital ratio at 31 December was as follows:

	2008 RMB'000	2007 RMB'000
Current liabilities:		
Trade payables	**112,957**	104,396
Bills payable	**13,099**	543
Income tax payable	**13,739**	6,336
Other payables and accruals	**302,887**	286,142
Amounts due to minority shareholders	**—**	9,400
Bank borrowings	**588,000**	280,000
	1,030,682	686,817
Non-current liabilities		
Bank borrowings	**192,000**	150,000
Total debts	**1,222,682**	836,817
Less: Cash and cash equivalents	**(1,024,017)**	(571,061)
Net debt	**198,665**	265,756
Total equity	**1,366,513**	1,287,542
Net debt-to-adjusted capital ratio	**15%**	21%

35. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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 balance sheet date, the Group has a certain concentration of credit risk as 28% (2007: 30%) of the total trade and other receivables was due from the Group's five largest customers.

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 20.

(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 balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
2008						
Bank borrowings	**780,000**	**870,211**	**622,155**	**30,630**	**125,103**	**92,323**
Trade payables	**112,957**	**112,957**	**112,957**	**—**	**—**	**—**
Bills payable	**13,099**	**13,099**	**13,099**	**—**	**—**	**—**
Other payables	**275,434**	**275,434**	**275,434**	**—**	**—**	**—**
	1,181,490	**1,271,701**	**1,023,645**	**30,630**	**125,103**	**92,323**
2007						
Bank borrowings	430,000	494,896	300,985	17,493	99,730	76,688
Trade payables	104,396	104,396	104,396	—	—	—
Bills payable	543	543	543	—	—	—
Other payables	274,700	274,700	274,700	—	—	—
Amounts due to minority shareholders	9,400	9,400	9,400	—	—	—
	819,039	883,935	690,024	17,493	99,730	76,688

35. 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
2008						
Bank borrowings	**780,000**	**870,211**	**622,155**	**30,630**	**125,103**	**92,323**
Trade payables	**48,986**	**48,986**	**48,986**	**—**	**—**	**—**
Bills payable	**13,099**	**13,099**	**13,099**	**—**	**—**	**—**
Other payables	**30,749**	**30,749**	**30,749**	**—**	**—**	**—**
Amounts due to subsidiaries	**170,249**	**170,249**	**170,249**	**—**	**—**	**—**
	1,043,083	**1,133,294**	**885,238**	**30,630**	**125,103**	**92,323**
2007						
Bank borrowings	430,000	494,896	300,985	17,493	99,730	76,688
Trade payables	81,439	81,439	81,439	—	—	—
Bills payable	543	543	543	—	—	—
Other payables	38,307	38,307	38,307	—	—	—
Amounts due to subsidiaries	183,650	183,650	183,650	—	—	—
	733,939	798,835	604,924	17,493	99,730	76,688

(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 as monitored by management is set out below.

The following table details the interest rate profile of the Group's and the Company's bank borrowings at the balance sheet date.

	Group and Company			
	2008		2007	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000
Fixed rate borrowings				
Bank borrowings	**5.580%**	**100,000**	5.913%–7.83%	—
Variable rate borrowings				
Bank borrowings	**7.270%–8.217%**	**680,000**	5.913%–7.83%	430,000

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renmibi unless stated otherwise)

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

It is estimated that as at 31 December 2008, 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 taxation and retained profits by RMB4,862,000 (2007: RMB1,486,000). Other components of consolidated equity would increase/decrease by RMB4,862,000 (2007: RMB1,486,000) 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 balance sheet date 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 next annual balance sheet date. The analysis is performed on the same basis for 2007.

(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 2008 and 2007.

(f) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

36. 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 2008 and 2007 may be categorised as follows:

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,197,877**	726,665
Financial liabilities		
Financial liabilities measured at amortised cost	**1,181,490**	819,039

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2009.

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	62,153	Commercial	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	730,000	Commercial	51%	Medium term lease

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

		Year ended 31 December				
Financial year		**2008**	2007	2006	2005	2004
Revenue	RMB'000	**1,211,090**	602,626	278,643	233,445	234,061
Gross Profit	RMB'000	**303,421**	231,654	115,794	90,452	88,822
Gross Margin	%	**25.05**	38.44	41.56	38.75	37.95
Profit for the year	RMB'000	**97,223**	154,436	81,973	45,126	43,504
Net Margin	%	**8.03**	25.63	29.42	19.33	18.59
Basic Earnings Per Share (Note)	RMB	**0.092**	0.125	0.066 (Restated)	0.037 (Restated)	0.035 (Restated)
Cash Generated from Operations	RMB'000	**186,994**	(1,511)	70,868	45,131	49,683
Trade Receivables Turnover	Days	**43**	78	41	45	34

FINANCIAL POSITION

		Year ended 31 December				
Financial year		**2008**	2007	2006	2005	2004
Total Assets	RMB'000	**2,784,857**	2,314,166	476,893	343,993	296,568
Total Liabilities	RMB'000	**1,418,344**	1,026,624	102,237	52,190	38,333
Total Cash and Cash Equivalents	RMB'000	**1,024,017**	571,061	239,447	201,307	206,062
Shareholders' Funds	RMB'000	**1,366,513**	1,287,542	374,656	291,803	258,235
Net Assets per Share	RMB	**1.108**	1.044	0.304	0.625	0.553
Dividend per Share	RMB	**—**	—	—	—	0.025

Note:

The calculation of basic earnings per share amounts is based on the net profit attributable to ordinary equity holders for the year of RMB113,262,000 (2007: RMB154,433,000) and the 1,233,144,000 (2007: 1,233,144,000) ordinary shares in issue during the year.