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# 研祥智能科技股份有限公司
# EVOC Intelligent Technology Company Limited*

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock code: 2308)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

**FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2011**

Turnover was approximately RMB1,111.0 million representing an decrease of approximately 13% as compared to 2010.

Profit attributable to owners of the Company amount to approximately RMB93.5 million, representing a increase of approximately 62.9% as compared to 2010.

Earnings per share were approximately RMB0.076, representing an increase of approximately 62% as compared to RMB0.047 in 2010.

## RESULTS

The Directors are pleased to present the consolidated results of EVOC Intelligent Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011, together with the comparative figures for the corresponding year in 2010 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

| | Notes | Year ended 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| Turnover | 4 | **1,111,049** | 1,277,182 |
| Cost of sales | | **(883,191)** | (1,057,915) |
| Gross profit | | **227,858** | 219,267 |
| Other income | 4 | **68,607** | 63,398 |
| Selling and distribution costs | | **(50,502)** | (42,138) |
| Administrative expenses | | **(47,859)** | (75,833) |
| Other operating expenses | | **(62,640)** | (61,244) |
| Other gains and losses | 5 | **12,062** | (12,173) |
| Finance costs | | **(32,830)** | (56,912) |
| Profit before income tax | 6 | **114,696** | 34,365 |
| Income tax (expense)/credit | 7 | **(26,303)** | 4,136 |
| **Profit for the year** | | **88,393** | 38,501 |
| **Other comprehensive income, after tax** | | | |
| Surplus on revaluation of buildings | | **15,896** | 6,849 |
| Exchange difference on translating foreign operations | | **369** | 166 |
| Other comprehensive income for the year, net of tax | | **16,265** | 7,015 |
| **Total comprehensive income for the year** | | **104,658** | 45,516 |
| **Profit attributable to:** | | | |
| — Owners of the Company | | **93,535** | 57,429 |
| — Non-controlling interests | | **(5,142)** | (18,928) |
| | | **88,393** | 38,501 |
| **Total comprehensive income attributable to:** | | | |
| — Owners of the Company | | **109,800** | 64,444 |
| — Non-controlling interests | | **(5,142)** | (18,928) |
| | | **104,658** | 45,516 |
| Earnings per share — Basic and diluted *(RMB)* | 9 | **0.076** | 0.047 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 December 2011*

| | Notes | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **593,812** | 437,124 |
| Investment properties | | **95,418** | 95,183 |
| Prepaid land lease payments | | **57,421** | 428,320 |
| Deferred tax assets | | **1,302** | 2,719 |
| **Total non-current assets** | | **747,953** | 963,346 |
| **Current assets** | | | |
| Inventories | | **60,941** | 36,644 |
| Properties under development | | **662,971** | — |
| Prepaid land lease payments | | **1,287** | 12,652 |
| Trade receivables | 10 | **143,042** | 157,418 |
| Bills receivables | 10 | **48,572** | 54,931 |
| Other receivables, deposits and prepayments | | **36,011** | 30,906 |
| Income tax recoverable | | **130** | 64 |
| Cash and bank balances | | **1,160,462** | 1,279,692 |
| **Total current assets** | | **2,113,416** | 1,572,307 |
| **Current liabilities** | | | |
| Trade payables | 11 | **133,486** | 109,038 |
| Bills payables | 11 | **258** | 18,035 |
| Other payables and accruals | | **301,350** | 179,800 |
| Bank borrowings | | **519,000** | 579,000 |
| Income tax payable | | **13,225** | 842 |
| **Total current liabilities** | | **967,319** | 886,715 |
| **Net current assets** | | **1,146,097** | 685,592 |
| **Total assets less current liabilities** | | **1,894,050** | 1,648,938 |

| | Notes | **2011** | 2010 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Non-current liabilities** | | | |
| Other payables and accruals | | — | 5,000 |
| Bank borrowings | | **492,873** | 362,828 |
| Deferred tax liabilities | | **97,731** | 82,322 |
| **Total non-current liabilities** | | **590,604** | 450,150 |
| **NET ASSETS** | | **1,303,446** | 1,198,788 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **123,314** | 123,314 |
| Reserves | | **850,742** | 740,942 |
| **Equity attributable to owners of the Company** | | **974,056** | 864,256 |
| **Non-controlling interests** | | **329,390** | 334,532 |
| **TOTAL EQUITY** | | **1,303,446** | 1,198,788 |

*Notes:*

## 1. CORPORATE INFORMATION

The Company is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The Group is principally engaged in the research, development, manufacture and distribution of Advanced Process Automation ("APA") products, trading of electronic accessories and development of properties in the PRC.

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

### (a) Adoption of new/revised HKFRSs — effective 1 January 2011

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| HKAS 24 (Revised) | Related Party Disclosures |

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

*HKFRS 3(Amendments) — Business Combination*

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

*HKAS 24 (Revised) — Related Party Disclosures*

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosures, reported profit or loss, total comprehensive income or equity in the current or prior periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

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

| | |
|---|---|
| Amendments to HKFRS 7 | Disclosures — Transfers of Financial Assets[1] |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities[4] |
| Amendments to HKAS 12 | Deferred Tax — Recovery of Underlying Assets[2] |
| Amendments to HKAS 1 (Revised) | Presentation of Items of Other Comprehensive Income[3] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HKAS 27 (2011) | Separate Financial Statements[4] |
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities[5] |

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

*Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets*

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

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

*Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

*HKFRS 9 — Financial Instruments*

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

*HKFRS 10 — Consolidated Financial Statements*

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

*HKFRS 12 — Disclosure of Interests in Other Entities*

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

*HKFRS 13 — Fair Value Measurement*

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

## 3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the "CODM") that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Research, development, manufacturing and distribution of APA products and trading of electronic accessories

— Property development

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

**For the year ended 31 December 2011**

| | APA products and electronic accessories *RMB'000* | Property development *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| External revenue | **1,111,049** | **—** | **1,111,049** |
| Reportable segment profit/(loss) | **80,903** | **(10,782)** | **70,121** |
| Interest income | **26,769** | **217** | **26,986** |
| Depreciation and amortisation | **(30,367)** | **(243)** | **(30,610)** |
| Reversal of impairment on trade receivables | **3,802** | **—** | **3,802** |
| Reversal of impairment on inventories | **725** | **—** | **725** |
| Reportable assets | **1,647,713** | **692,624** | **2,340,337** |
| Additions to non-current assets | **746,598** | **50** | **746,648** |
| Reportable liabilities | **(920,155)** | **(409,260)** | **(1,329,415)** |

For the year ended 31 December 2010

| | APA products and electronic accessories *RMB'000* | Property development *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| External revenue | 1,277,182 | — | 1,277,182 |
| Reportable segment profit | 56,142 | 32,443 | 88,585 |
| Interest income | 21,977 | 289 | 22,266 |
| Depreciation and amortisation | (22,563) | (37,771) | (60,334) |
| Impairment loss on trade receivables | (3,539) | — | (3,539) |
| Reversal of impairment loss on inventories | 414 | — | 414 |
| Gain on disposal of interests in leasehold land, net | — | 28,857 | 28,857 |
| Reportable assets | 1,719,517 | 309,272 | 2,028,789 |
| Additions to non-current assets | 876,071 | 87,268 | 963,339 |
| Reportable liabilities | (1,096,173) | (146,699) | (1,242,872) |

*Notes:*

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

| | **2011** ***RMB'000*** | 2010 *RMB'000* |
|---|---|---|
| Customer A | **271,543** | 222,241 |
| Customer B | **127,750** | — |

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

| | **2011** ***RMB'000*** | 2010 *RMB'000* |
|---|---|---|
| Revenue | | |
| Reportable segment revenue and consolidated revenue | **1,111,049** | 1,277,182 |

| | **2011** ***RMB'000*** | 2010 *RMB'000* |
|---|---|---|
| Profit before income tax | | |
| Reportable segment profit | **70,121** | 88,585 |
| Other income | **68,607** | 60,457 |
| Other gains and losses | **12,062** | (24,070) |
| Unallocated corporate expense | **(3,264)** | (33,695) |
| Finance costs | **(32,830)** | (56,912) |
| Profit before income tax | **114,696** | 34,365 |

| | 2011 *RMB'000* | 2010 *RMB'000* |
|---|---|---|
| Reportable segment assets | | |
| Reportable segment assets | **2,340,337** | 2,028,789 |
| Income tax recoverable | **130** | 64 |
| Deferred tax assets | **1,302** | 2,719 |
| Unallocated corporate assets | **519,600** | 504,081 |
| Consolidated total assets | **2,861,369** | 2,535,653 |

| | 2011 *RMB'000* | 2010 *RMB'000* |
|---|---|---|
| Reportable segment liabilities | | |
| Reportable segment liabilities | **1,329,415** | 1,242,872 |
| Bank borrowings | **117,552** | 10,829 |
| Deferred tax liabilities | **97,731** | 82,322 |
| Tax payables | **13,225** | 842 |
| Consolidated total liabilities | **1,557,923** | 1,336,865 |

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets/liabilities and post-employment benefit assets ("Specified non-current assets").

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2011** *RMB'000* | 2010 *RMB'000* | **2011** *RMB'000* | 2010 *RMB'000* |
| Hong Kong | **763** | 68,455 | **3** | 7 |
| PRC (place of domicile) | **1,110,286** | 1,208,727 | **746,648** | 960,620 |
| | **1,111,049** | 1,277,182 | **746,651** | 960,627 |

## 4. TURNOVER AND OTHER INCOME

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Turnover | | |
| Sales of APA products | **572,456** | 735,209 |
| Sales of electronic accessories | **538,593** | 541,973 |
| | **1,111,049** | 1,277,182 |
| Other income | | |
| Bank interest income | **26,986** | 22,266 |
| Value-added tax ("VAT") concessions *(note (a))* | **7,207** | 19,553 |
| Gross rentals from investment properties | **32,783** | 30,126 |
| Less: direct operation expense (including repairs and maintenance) arising on rental income from investment properties | **(12,849)** | (17,266) |
| | **19,934** | 12,860 |
| Government subsidies *(note (b))* | **4,052** | 3,435 |
| Sub-contracting income | **2,420** | 7 |
| Sundry income | **8,008** | 5,277 |
| | **68,607** | 63,398 |
| | **1,179,656** | 1,340,580 |

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

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

## 5. OTHER GAINS AND LOSSES

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Gain on disposal of interests in leasehold land, net | **—** | 28,857 |
| Impairment loss on goodwill | **—** | (24,470) |
| Impairment loss on prepaid land lease payments | **—** | (16,958) |
| Fair value gain on investment properties | **11,903** | 398 |
| Gain on disposal of a subsidiary | **159** | — |
| | **12,062** | (12,173) |

## 6. PROFIT BEFORE INCOME TAX

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **760** | 900 |
| Cost of inventories recognised as an expense | **883,191** | 1,057,915 |
| Depreciation of property, plant and equipment | **29,347** | 30,707 |
| Amortisation of prepaid land lease payments | **1,263** | 29,627 |
| Foreign exchange differences, net | **(32)** | 306 |
| Loss on disposal of property, plant and equipment, net | **430** | 375 |
| (Reversal of)/Impairment loss on trade receivables | **(3,802)** | 3,539 |
| Minimum lease payments under operating leases | **8,785** | 10,010 |
| Research and development costs | **51,602** | 48,254 |
| Staff costs (including directors' emoluments): | | |
| Wages, Salaries, bonus and allowance | **80,826** | 57,982 |
| Contributions to retirement benefits schemes | **6,834** | 6,225 |
| | **87,660** | 64,207 |

## 7. INCOME TAX EXPENSE/(CREDIT)

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax — PRC** | | |
| Provision for the year | **14,846** | 4,862 |
| (Over)/under-provision in respect of prior year | **(39)** | 1,390 |
| | **14,807** | 6,252 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences, net | **11,496** | (10,388) |
| Income tax expense/(credit) | **26,303** | (4,136) |

In accordance with the PRC Enterprise Income Tax Law effective from 1 January 2008, certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward are entitled to 50% relief on the income tax in the following three years. Certain subsidiaries are still entitled to preferential tax treatments and gradually be subject to the new tax rate over a five-year transitional period to 2012. These subsidiaries are subject to income tax rates ranging from 12.5% to 25% (2010: 11% to 25%) during the reporting period.

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

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the years ended 31 December 2011 and 2010 as there were no estimated assessable profits arose for both years.

## 8. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

## 9. EARNINGS PER SHARE

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

| | **2011** | 2010 |
|---|---|---|
| Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation *(RMB'000)* | **93,535** | 57,429 |
| Weighted average number of domestic and H shares in issue | **1,233,144,000** | 1,233,144,000 |
| Basic earnings per share *(RMB)* | **0.076** | 0.047 |

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

## 10. TRADE AND BILL RECEIVABLES

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **144,030** | 162,208 |
| Allowance for impairment losses | **(988)** | (4,790) |
| Trade receivables, net | **143,042** | 157,418 |
| Bills receivables | **48,572** | 54,931 |
| Total | **191,614** | 212,349 |

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

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

| | 2011 | 2010 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0 to 90 days | **128,574** | 139,840 |
| 91 to 180 days | **9,938** | 14,651 |
| 181 to 365 days | **3,756** | 2,547 |
| Over 1 year | **1,762** | 5,170 |
| Gross trade receivables | **144,030** | 162,208 |

Bills receivables are with maturity of less than 6 months.

## 11. TRADE AND BILLS PAYABLES

| | 2011 | 2010 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | **133,486** | 109,038 |
| Bills payables | **258** | 18,035 |
| | **133,744** | 127,073 |

The following is the ageing analysis of trade payables:

| | 2011 | 2010 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0 to 90 days | **114,297** | 107,552 |
| 91 to 180 days | **16,980** | 750 |
| 181 to 365 days | **1,331** | 14 |
| Over 1 year | **878** | 722 |
| | **133,486** | 109,038 |

Bills payables are with maturity of less than 6 months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the Company continued to engage in the research and development, manufacture and distribution of Advanced Process Automation ("APA") products, trading of electronic accessories and development of properties in China, and worked unswervingly to upgrade and transform Chinese traditional industries to facilitate their development by using information technology, artificial intelligence, digitalisation and automation. As the sole member of INTEL ICA among APA manufacturers in Mainland China, and being the world first premium partner with Microsoft in the embedded technology field since the end of 2011, the Company possesses the qualification of simultaneous research and development and production of chip products, and thus manages to rapidly provide innovative solutions to foster market development. With the establishment of a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on the application of embedded technology, the Company has the dominance in deciding the formulation of national standards for the Chinese APA industry. The "EVOC" trademark of the Company was identified as "Famous Trademark of China" by the State Administration for Trade and Industry, which is also the first famous trademark obtained by APA enterprise in China. The trademark enhanced the international influence for the "EVOC" trademark of the Company, and the effective protection of its proprietary intellectual property rights and trademark brands, thereby significantly enhancing its overall competitive edges.

During the period, amidst the international environment with substantial fluctuations and lower-than-expected growth of the global economy, China has maintained a steady yet relatively fast development. The growth pace of the production of information industry continued to rebound, while investment in infrastructure focusing on energy (safety control of coal mines), transportation (railway transportation control), environmental protection (pollution sources monitoring), as well as the market size for 100-billion level terminal replacement brought by 3G mobile communication also maintain rapid growth, thereby providing the Company with a more extensive market and development opportunity. The Company has enhanced its market competitiveness via re-integration of internal management structure and structural adjustment, thereby achieving relatively satisfactory operating results during the period under review.

The Company engaged in the construction and operation of service sub-contracting base project via the investment in 無錫深港國際服務外包產業發展有限公司 (formerly known as "Wuxi Jiang Nan Da Shi Jie Investment Development Company Limited", hereunder "Wuxi Company"). During the period under review, the service sub-contracting base project of Wuxi Company has achieved smooth progress, and the Prime New Plaza has now been completed with sales commenced, bringing a steady cash flow to the Company. The service sub-contracting project is the expansion and extension of the Company's existing business, which will take an active role in fostering the development of the existing business and adding a new profit growth point.

### Result of the year

The Group recorded a turnover of RMB1,111 million and a profit for the year of RMB88 million for the year ended 31 December 2011. The Group's core business and production were stable with an increase in its profit margin as compared with that of last year due to effective cost control measures implemented. The Group's profit attributable to owners of the Company was RMB93.5 million. The increase was mainly attribute from decrease in amortisation of land lease prepayments and gains on revaluation of investment properties. The Group has continued focusing on research and development on new products. The management believes the new products will have good contribution to the Group in the coming future.

**Research & Development**

Riding on its core competitive strategies of "applying innovative proprietary capabilities to develop its own brands" and its research and development objectives of "enhancing quality of its products, lowering production cost and reducing product R&D cycle", the Group has been ahead of its competitors on product development and technology innovation, and has sustainable development capability to sustain steady growth in results. In 2011, the Company's spending in R&D accounted for over 4.6% of the total turnover, while co-establishing the joint laboratory of embedded technology with AMD Company and the Laboratory Institution of Beijing University of Technology in the same period, and thus achieving excellent economic and social efficiency.

During the period under review, the Company placed focus on the research and development of new products, including:

1. Railway transportation ERC series products. This product is used as the main controller for the automatic ticket vending and checking system, passenger information system, platform screen door system, environment monitory system, fire fighting and control system as well as carriage capacity control system of the railway transport sector.

2. Intelligent transportation MEC series products. This product could impose control on the externally connected equipment to realise the collection, storage and transmission of information, which could be applied in various systems within the scope of intelligent transportation system, such as the urban transportation intelligent adjustment system, highway intelligent adjustment system, operating vehicle adjustment and management system as well as the electronic police system.

3. New energy sector (wind power) automatic control PPC tablet computer series products. This product is used as the monitory, displaying and operation controller within the main control system for wind power generation, and could be applied in the exchange of local data on offshore/onshore wind power generators as well as the exchange of data of the groups of wind power generators set under towers, thereby realising the control and display of the operation status of the system, setup of parameters for groups of wind power generators, enquiries and statistic research on historical data as well as enquiries on error record.

4. Communication sector MicroTCA products. This product possesses a high level of flexibility, extremely high concentration level, and high flexibility of expansion and management capability. With tiny size and low cost, the product could be applied in the difference areas of 3G communication network, such as communication business system, connection system gateway and handling of IP media.

5. Financial sector MEC computer products. With complex structure, highly effective functions and low consumption level, this product has superb data handling capability, excellent expansion capacity and smooth data channel, making it prefect for key business application for financial sector in respect of ATM, electronic commerce, ERP and data center, especially the ATM equipment system.

During the period, the construction of the Company's R&D/interim testing base in Shenzhen, China has been successfully completed, and internal renovation as well as integration of resources and facilities is currently in progress. With a site area exceeding 80,000 square meters and a gross floor area of 230,000 square meters, the R&D/interim testing base will be used mainly for the production, R&D and terminal testing of the software and hardware of APA products. Upon the opening of the project, the Company will undergo reconstruction of its R&D structure in accordance with its development strategies and business plan, whereby the R&D cycle will probably be shortened with enhanced efficiency, and its overall market competitiveness will also be strengthened.

**Products and Sales**

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

The Company will continue to operate on a marketing strategy and sales model in Mainland China with focus on direct sales and support by agents and enhanced customers' understanding towards our products and technology on a basis of learning marketing by organising industrial application seminars, experience exchange meetings for users, etc. on one hand. On the other hand, the Company will strengthen public recognition of the "EVOC" brand and its influence in the APA sector and the attractiveness of its products to the market through mounting marketing efforts including organizing industrial exhibitions and advertising on media, etc.

During the period, the Company organised the national technology exchange meeting named "EVOC — Technology Exchange Meeting of the Core Control of Industrial Equipment" (研祥智造 — 產業裝備之控制核心), and sponsored and participated in the Wind River Annual Developer Meeting 2011. At the same time, the Company also participated in the following exhibitions and technology exchange meetings in China: 1. "2011 Intel Developer Forum (IDF)" (2011英特爾信息技術峰會) in Beijing, China; 2. "Exhibition of the Report of Results of the 11th 5-Year Plan Electronic Fund" (「十一五」電子發展基金成果彙報展示會) in Beijing, China; 3. "International Wind Power Meeting and Exhibition 2011" (2011北京國際風能大會暨展覽會) in Beijing, China; 4. " China Automation Meeting 2011 and Memorial Activities on 100th anniversary of the birth of Qian Xuesen and 50th anniversary of China Automation Association" (2011中國自動化大會暨錢學森誕辰一百周年及中國自動化學會五十周年紀念活動) in Beijing, China; 5. "3rd International Digital Signage and Large Screen Display Show" (第三屆國際數字標牌及大屏幕顯示展覽會) in Shanghai, China; 6. "Seminar on Application of Embedded Industry in Eastern China Region 2011" (2011華東區微軟嵌入式行業應用研討會) in Shanghai, China; 7. "Seminar on Rail Transportation in the Mainland, Hong Kong, Macao and Taiwan" (兩岸四地軌道交通研討會) in Shenzhen, China; 8. "65th China International Medicinal Equipment Fair " (第65屆中國國際醫療器械博覽會) in Shenzhen, China; 9. "Railway Transportation Development Forum of China 2011" (「2011中國城市軌道交通發展論壇」) in Zhejiang, China; 10. "Public Welfare, Health and Science Exhibition" (公益性健康主題科普展覽會) in Hangzhou, China; 11. "COMPUTEX 2011 International Computer Exhibition" (COMPUTEX 2011台北國際電腦展) in Taipei; 12. "International Electronic and Automatic Systems and Components Exhibition" (國際電氣自動化系統及元件展覽會 (SPS/IPC/DRIVES)) in Nuremberg, Germany; 13. "6th AIMEX 2011" (2011第六屆印度國際自動化展) in Mumbai, India.

The Company was awarded the "Award on Outstanding Contributions to Innovation in China" (創新中國傑出貢獻獎), while the "Non-classic Management Model" of the Company was awarded "The 4th Management Academy Award in China" (第四屆中國管理學院獎). Mr. Chen Zhi Lie, the Chairman, was awarded "The Achievement Award of the Mission of Computer Industry Development in China" (中國計算機行業發展成就任務成就獎). At the same time, the Company further enhanced internal management, improved labor relationship, boosted employees' scenes of belonging to the Company and thus was named "The Top Hundred Advanced Corporation with Harmonious Labor Relationships in Guangdong Province".

**Outlook & Prospects**

In 2012, under the impact of debt crisis in the United States and Europe, global economy would probably be in a complex situation with increasing uncertainties. With pressure of slowdown imposed on domestic demand and the increase in possibility of the deterioration of various risks, there exists a certain degree of uncertainty on the overall growth of demand in China. During the period of China's Twelfth Five-Year Plan, energy conservation and reduction of pollutants will be an important strategic issue and target of sustainable development of economy and society in the future. As a popular sector that continues to develop and innovate, APA is an advanced technology which helps to enhance production, improve efficiency, conserve energy, reduce consumption and reduce pollution. In the past, APA sector developed rapidly given the mass development of industrial economy in China. Now, under the advocates for energy conservation and pollution reduction in China, APA being a strategic emerging industry within the high-end equipment manufacturing industry significantly benefited from China's Twelfth Five-Year Plan, would probably encounter another golden era of development.

The introduction of a series of energy conservation and pollution reduction policies and measures accelerates the pace of structural adjustment of traditional industries in China and significantly influences future direction and development of corporations in the automation sector. The deceleration of growth in economy and investment implies the slowdown in growth of both capital intensive industry and labour intensive industry, which related closely to fixed asset investment. Amidst the new market condition, the Company will adjust and control productivity and production capacity of the original products, while following the industrial policy and investment policy of the country to pursue business opportunities being created under the cultivation and development of strategic and emerging industries so as to expand the scale of our business and profitability. At the same time, the Company will continue to utilise its competitive advantages and resources proactively while upholding its own brand, technology innovation and the strategy of overseas market to consistently enhance our own core competitiveness as well as establish and consolidate our leading status in the application and development of APA in China.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2011, the Group's reported a total revenue of RMB1,111.0 million (2010: RMB1,277.2 million) analysed by product category as follows:

*Turnover by product category*

| Sales of Products | **2011** *RMB'000* | 2010 *RMB'000* | Change *Percentage* |
|---|---|---|---|
| Board-type APA | **314,618** | 398,231 | –21.0% |
| Chassis-type APA | **243,359** | 318,475 | –23.6% |
| Remote data modules | **14,479** | 18,503 | –21.7% |
| APA products | **572,456** | 735,209 | –22.1% |
| Electronic accessories | **538,593** | 541,973 | –0.6% |
| Total | **1,111,049** | 1,277,182 | –13.0% |

*Turnover by Geographical Location*

| Regions in China | **2011** *RMB'000* | 2010 *RMB'000* | Change *Percentage* |
|---|---|---|---|
| South China | **762,929** | 862,543 | –11.5% |
| North and Northeast China | **183,864** | 194,780 | –5.6% |
| East China | **131,568** | 94,317 | +39.5% |
| Southwest China | **2,354** | 27,176 | –91.3% |
| Northwest China | **17,267** | 21,053 | –18.0% |
| Export sales | **13,067** | 77,313 | –83.1% |
| Total | **1,111,049** | 1,277,182 | –13.0% |

During the period under review, the Group's revenue fell by 13.0% to RMB1,111.0 million as compared with last year. Such fall is mainly due to changes of marketing strategies in reducing the lower margin customers.

### Cost of sales

Cost of sales decreased 16.5% from RMB1,057.9 million in 2010 to RMB883.2 million in 2011. The decrease was mainly resulted from raw materials sourcing improvement.

### Gross Profit

Gross profit in 2011 was approximately RMB227.9 million, an increase of 3.9% compared to RMB219.3 million in 2010. This result from effective cost control measures implemented.

**Other Income**

Other income increase from RMB63.4 million in 2010 to RMB68.6 million in 2011 mainly attribute to government subsidies.

**Selling & Distribution costs**

The selling and distribution costs increased 20.0% from RMB42.1 million in 2010 to RMB50.5 million in 2011 due to increased in advertising cost and salaries expenses of sales team.

**Administrative Expenses**

The administrative expenses decreased 36.8% from RMB75.8 million in 2010 to RMB47.9 million in 2011 principally due to decrease of amortisation of land lease prepayments..

**Research & Development costs**

The research and development costs increased 6.8% from RMB48.3 million in 2010 to RMB51.6 million in 2011 due to increased in material parts consumables and salary expenses of research and development staff.

**Finance Costs**

Finance costs decreased 42.3% from RMB56.9 million in 2010 to RMB32.8 million in 2011 due to capitalisation of interest expenses in Wuxi properties development.

**Profit Attributable to Owners of the Company**

The Group's profit attributable to owners of the Company increased from RMB57.4 million in 2010 to RMB93.5 million in 2011.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operation with internally resourced and banking facilities generally by bankers in the PRC. As at 31 December 2011, the Group's gearing ratio had increased to 54.4% (calculated on the basis of the Group's total liabilities over total assets) from 52.7% as at 31 December 2010. At the year end date the Group's total bank borrowings amounted to RMB1,012 million (2010: RMB942 million). The Group's cash and bank balances as at 31 December 2011 has decreased to RMB1,160 million (2010: RMB1,280 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increase to 2.18 as at 31 December 2011 (2010: 1.77).

## FOREIGN EXCHANGE EXPOSURES

Since most of the transactions of the Group were denominated in Renminbi, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review.

## CONTINGENT LIABILITIES

The Group has no contingent liabilities at 31 December 2011.

## CAPITAL COMMITMENTS

As at 31 December 2011, the Group had authorised but not contracted for and contracted but not provided for were approximately RMB821.6 million (2010: RMB810.1 million) and RMB282.3 million (2010: RMB399.4 million) respectively, in respect of construction of a service outsourcing centre in Wuxi, the PRC, construction of production plants, office and research and development building and staff quarters in Guangming, Shenzhen, the PRC.

## PLEDGE OF ASSETS

At 31 December 2011, the Group has pledged certain of its property, plant and equipment, investment properties, lease prepayments and construction in progress with a total carrying amount of approximately RMB876.2 million (2010: RMB602.3 million) as security for bank borrowings and general banking facilities granted to the Group. Except for the above, there are no other charges on the Group's assets.

## EMPLOYEE INFORMATION

As at 31 December 2011, the Group had total workforce of 1,535 (2010: 1,706). Employee benefit during the year were RMB87.6 million.

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

## 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.

## COMPETING INTERESTS

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## CORPORATE GOVERNANCE PRACTICES

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2011 to 31 December 2011.

## AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ling Chun Kwok, Mr. Wang Zhao Hui and Mr. An Jian. Mr. Ling Chun Kwok is the chairman of the audit committee. The rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee has discussed with the management and reviewed the annual results for the year ended 31 December 2011.

## REMUNERATION COMMITTEE

The remuneration committee consists of one executive director, Mr. Zhu Jun. and two independent non-executive directors. Mr. Wang Zhao Hui and Mr.An Jian. Mr. Wang Zhao Hui is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

## PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the Company's website at www.evoc.com. The annual report of the Company for the year ended 31 December 2011 will also be published on the aforesaid websites in due course.

## DIRECTORS

As at the date hereof, the executive directors of the Group are Mr. Chen Zhi Lie, Mr. Tso Cheng Shun and Mr. Zhu Jun; the independent non-executive directors of the Group are Mr. Ling Chun Kwok, Ms. Dai Lin Ying, Mr. Wang Zhao Hui and Mr. An Jian.

## APPRECIATION

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

By Order of the Board
**EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED***
**Chen Zhi Lie**
*Chairman*

Shenzhen, the PRC, 29 March 2012

* *For identification purpose only*