研祥智能科技股份有限公司

EVOC Intelligent Technology Company Limited*

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

Stock Code : 2308

ANNUAL REPORT 2016

* for identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chen Zhi Lie *(Chairman)*
Tso Cheng Shun
Geng Wen Qiang

Independent non-executive directors

Yu Tat Chi, Michael
Wen Bing
Dong Li Xin
Zhang Da Ming

SUPERVISORS

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

COMPLIANCE OFFICER

Geng Wen Qiang

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

Yu Tat Chi, Michael *(Chairperson)*
Dong Li Xin
Zhang Da Ming

MEMBERS OF THE REMUNERATION AND REVIEW COMMITTEE

Dong Li Xin *(Chairperson)*
Zhang Da Ming
Geng Wen Qiang

MEMBERS OF THE NOMINATION COMMITTEE

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LIAISON OFFICE IN HONG KONG

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

H SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

PRINCIPAL BANKER

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

LEGAL ADVISER TO THE COMPANY

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

COMPANY HOMEPAGE/WEBSITE

http://www.evoc.com

STOCK CODE

2308

- *Wind Power Automation Control Solution*
- *Network Security Solution*
- *Power Remote Monitoring Solution*

CORPORATE BACKGROUND

EVOC Intelligent Technology Company Limited was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the PRC's Company Law. The Company's H shares were listed on the GEM (the "GEM") of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred from the GEM to the Main Board (the "Main Board") of the Stock Exchange on 12 July 2010. The Company and its subsidiaries ("Group") are principally engaged in the research, development, manufacture and distribution of Special Computer products, trading of electronic products and accessories, and development of properties in the PRC. As at 31 December 2016, the registered capital of the company amounted to approximately RMB123.3 million with the Group's total assets to approximately RMB4.7 billion.

The Group is one of the leading domestic manufacturers of Special Computer products in the PRC, offers over 400 Special Computer products. Special Computer is a computer system allowing users to adapt hardware and software applications to perform a dedicated function or a range of dedicated functions such as data processing, generating, interpreting and executing control signals, etc. and is embedded into a product, device or a larger system. Special Computer products manufactured and distributed by the Group are widely applied in, among other, telecommunication, industrial, military, electricity generation, video frequency control, transportation, Internet, commerce and finance industries.

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

CHEN ZHI LIE
Chairman

• *Automated Production Line Solution*

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS,

On behalf of the Board of directors, I am pleased to present the annual report of EVOC Intelligent Technology Company Limited and its subsidiaries ("our Company" or the "Company") for the year ended 31 December 2016 (the "Year") to our shareholders.

The Company engages in research, development, manufacture and sale of Special Computer products since 1993 with a 23-year history of continuous operation. The Company's shares were listed on the Grow Enterprise Market of the Stock Exchange of Hong Kong on 10 October 2003. The Company transferred to the Main Board of the Stock Exchange of Hong Kong on 12 July 2010 with the stock code 02308.HK, and is the only listed company of the industry in the PRC.

• *Rail Transit Solution*

• *New Energy Solution*

BUSINESS REVIEW

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

The Company became the world's first premium partner with Microsoft in the embedded technology field since the end of 2011, and possesses the qualification of simultaneous research and development and production of chip products, and thus manages to rapidly provide innovative solutions to foster market development. With the establishment of a strategic cooperative relationship with the Institute of Computing Technology of the Chinese Academy of Sciences on the application of embedded technology, the Company has the dominance in deciding the formulation of national standards for the Chinese Special Computer industry. The Company has been approved to establish "National Research and Develop Center of Special Computer Engineering Technology" (國家特種計算機工程技術研究中心) which is featured with uniqueness and exclusiveness in the industry, meaning that the Company becomes the sole support organization for the National Research and Develop Center of Special Computer Engineering Technology. The "EVOC" trademark of the Company was recognized as "Famous Trademark of China" by the State Administration for Industry and Commerce, which is also the first famous trademark obtained by Special Computer enterprise in China. The trademark enhanced the international influence for the "EVOC" brand of the Company, and the effective protection of its proprietary intellectual property rights and trademark brands, thereby significantly enhanced its overall competitive edges.

Under the background of global economic slowdown and deepening of domestic restructuring, the PRC economy growth has been within a reasonable range, maintaining a trend of overall stability with steady progress. There exists a huge potential with a stably progressing economy, the development of new type of industrialization, information technology, urbanization, modernization of agriculture are deep in progress, and it contains strong demand for increasing domestic demand. The economic development status under the "new norm" has forced manufacturing to transform and upgrade, additionally the Chinese government actively pushes a series of policies such as "Great Ocean Power", "One Belt and One Road", "Made in China 2025". These measures have brought extensive opportunities for the Chinese special computer industry.

In order to capture market opportunities, the Company has increased R&D and market development in recent years in the core fields of national economy such as rail transportation, nuclear power, wind-power, robotics, high speed rail and metro, with more rapid development in rail transportation products and human-machine interface products. Our company has maintained the direction of "self-controllable, deep integration with industry" and "high-efficiency, net profit, premium quality", and continues to research and develop industry disciplines such as smart manufacturing, big-data, high-end manufacturing, new energy, rail transportation, ocean and robotics, in order to further enhance the market competitiveness of our products.

The Company launched the development target of "marching towards a bright era by pursuing high profit". The Company intends to enhance profits per capital and corporate profitability through the integration of the sales customer service system, the enhancement of delivery management and control, optimization of operation procedures, reduction in production costs, full implementation of channel delivery, and deepening of the industrial customization. In response to the changes in market environment, the Company adhered to the strategy of prioritizing quality, continued to invest resources to keep and improve product quality, and satisfied the product quality requirements of market and customers by promoting the "spirit of craftsman" and enhancing the intelligent level of our production system. At the same time, the Company adhered to the diversified sales models including direct sales, agents, online sales and telephone sales, to raise the visibility and reputation of "EVOC" brand so as to enhance our core competitiveness.

Science and Technology Industrial Park Development

During 2016, sales of the real estate projects of the Company created another new record. The total area sold reached about 23,600 sq.m. and the gross sales revenue amounted to approximately RMB248 million, including approximately RMB74 million arising from sales of section A1 of Wuxi SHIOC International Outsourcing Base (無錫深港國際) and approximately RMB174 million as the sales proceeds from Dianshan Lake Property Base project in Kunshan city, Jiangsu. Wuxi SHIOC International Outsourcing Base section A1 now has completed and covers a floor area of approximately 200,000 sq.m., while section A2 with a floor area of approximately 140,000 sq.m. is under construction and expected to be completed by the end of 2017. The first phase of Dianshan Lake Property Base project in Kunshan city, Jiangsu Province has fully completed in 2015 with a total gross floor area of approximately 44,000 sq.m., while the second phase with a floor area of approximately of 126,000 sq.m. is under construction and expected to be completed at the beginning of 2018. The first phase of the high rise office building, Nantong EVOC High Profile Office Park with a floor area of approximately 72,800 sq.m. is under construction and is expected to be completed by the end of 2017.

Property Investment

As of 31 December 2016, gross rentable area of the Company was approximately 240,000 sq.m., and the total revenue from property rent amounted to approximately RMB125 million for the whole year. The main construction project of EVOC City Plaza in Hangzhou has completed in 2016, with the total floor area of approximately 66,000 sq.m.. It is expected to be delivered into use in 2017. EVOC High Profile Office Park in Guangming Hi-tech Park of Shenzhen was completed at the beginning of 2014, and the gross floor area is approximately 245,000 sq.m.. It includes a 22-floor research and development office building, two buildings of research and development plants and one apartment block with a gross floor area of approximately 58,000 sq.m., 92,000 sq.m. and 55,000 sq.m., respectively. Besides, it owns an underground parking lot occupying approximately 40,000 sq.m.. Shenzhen EVOC Technology Building was completed in 2007, with a total floor area of approximately 62,000 sq.m..

RESULT OF THE YEAR

In 2016, the Group recorded a turnover of approximately RMB1,141.7 million, representing an decrease of approximately 20.9% as compared with last year. Of which sales of Special Computer was approximately RMB378.3 million, representing an increase of approximately 12.0%, trading of electronic products and accessories was approximately RMB515.4 million, representing a decrease of approximately 44.6%, while sales of properties was approximately RMB248.0 million, representing an increase of approximately 41.4% as compared to previous year. Profit attributable to owners of the Company was approximately RMB269.1 million. Excluding fair value gains approximately RMB202.0 million, core profit attributable to owner was approximately RMB67.1 million. Core profit margin attributable to owners was approximately 5.9%.

Research & Development and Products

During the period under review, with a focus on hot issues of the industry and key technological breakthroughs, we launched related investigation on the industry and issued reports thereon. The reports served to provide the personnel of our R&D and product departments better understanding of the industry and form a basis and reference from which the Company's future product lines can be framed. During the period under review, the Company carried out research and analysis on major issues such as intelligent manufacturing, industry 4.0, homemade hardware and software, industrial big data, and marine electronic information. Besides, the Company established specific group for certain technological issues at the R&D center, with the aim of conducting research on the common issues and technologies in relation to product application and industrial application. The Company focused on the research on specific technologies, such as the research on access performance of DOM information in metro industry, technology of remote display and control system, special topic on port redirection terminal technology, ECLOUD intelligent monitoring and demonstration system, high-density network module card, USB flash disk security certification, PCIE SRIO solution, Linux internet access sorting, and Linux special resolution configuration.

To become a powerful manufacturing country has become a national strategy. The deep integration of informatization and industrialization will be conducted on the important basis of building smart factories. To ensure independence, controllability and safety is the core task in the construction of smart factories. The new mode of smart manufacturing is urgently needed by the domestic enterprises for enhancement of quality, brand, competitiveness in international market, and occupation of intermediate and high end markets and by the special computer system for innovation of industrial chain and industry transform and upgrade. The Company has always closely followed the national strategies and carried out the intellectualized reconstruction by undertaking the MIIT special project on new intelligent manufacturing model. The project aimed to achieve the popularization and application of intelligent manufacturing equipment and systems in intelligent plant of special computer, form the integrated innovation in such key links as R&D, production, supply and sales, establish the new model of automated and intelligent manufacturing, and realize the flexible manufacturing system supporting different varieties and small batches as well as the automated and intelligent manufacturing of high-quality special computer products. The implementation of the project will significantly improve the corporate production efficiency and energy utilisation ratio, reduce operating costs and rate of defective products, and shorten the product research and development cycle.

The Company accelerated the pace of localization strategy by undertaking the key industrial transformation and upgrading project of MIIT. By analyzing the key and core links involving industrial control security architecture, the project centered on the industrial control security and bidding contents to develop the industrial control computer and industrial control safety protection products based on safe and reliable CPU chips. The project aimed to achieve the industrialization and application of industrial control computer based on safe and reliable CPU chips and the industrial control defensive products against the information security threats used in various industrial settings, so as to capture key generic technologies and enhance the technical level of the industry, develop the internationally-advanced safe and reliable industrial control products, form the protection system of independent intellectual property rights, replace the imported technologies and products, fill the domestic void, and promote the safe, independent and controllable development of China.

The Company kept in close step with the Blue Ocean Strategy advocated by China and Shenzhen, and actively promoted the development of marine electronic information industry by cooperating with Shenzhen Ocean Industry Association (SOIA). In response to the construction demands of Great Ocean Power and the fierce international competition, by leveraging the wide coverage of electronic information industry in Shenzhen, under the direction of "Made in China 2025" and "Great Ocean Power Strategy" and with marine electronic equipment as a starting point, the Company established project demonstration bases through undertaking the SOIA innovative demonstration base project in the electronic information industry (深海電子信息產業創新示範基地項目) of Economy, Trade and Information Commission of Shenzhen Municipality, centering on the major engineering and technological research in marine electronic information industry, and the public services and innovative industry cluster of marine electronic information, and combing, optimizing, refining, integrating the existing basic resources. The demonstration base includes exhibition space, public service space and maker space, and can be used to carry out seminar, innovative entrepreneurship service and communication of science and technology activities. Upon the completion of the project, it would serve over 50 enterprises by popular science exhibition, provision of venues and facilities for makers, creative share, resources docking and entrepreneurship guidance, organize more than 50 industrial activities, and form standard service process system and guarantee mechanism.

New key products of the Company under research and development during 2016 include:

1. *High-performance and multi-function industrial tablet*
   The product is a 17" high-performance and multi-function industrial tablet satisfying the market demands on high-end MES, comprehensive monitoring and machine vision equipment. In the brand-new serial interface circuit and software design, the product allows arbitrarily setting the serial interface mode without disassembling the machine. The large vision, high resolution and high performance also help boost the high-end intelligent manufacturing.

2. *Small compact wall-mounted machine*
   The product is a small compact wall-mounted machine with compact size, high performance and cost-effective characteristics. Comparable to the non-ventilated machine, it breaks the record of the minimum size of IPC case in the industry. In addition, its unique design makes the maintenance, overhaul, disassembly and assembly convenient and efficient, thus ensuring the stable operation of system in the transportation and vibration. The product can be used in highway, self-service terminals, automatic production, automatic detection and other fields.

3. *Cost-effective single industrial server*
   The product is a highly cost-effective industrial server focusing on small and medium-sized applications. The product can be widely used in the mine supporting system of safety supervision and decision-making, GPRS vehicle scheduling and control system, video acquisition and storage system, and enterprise management platform for Internet usage behaviors.

4. *Independent and controllable 2-way industrial server*
   The product can be widely applied in the comprehensive monitoring system for (highway/rail) traffic, power data processing/security panel system, corporate network management application platform and other fields.

5. *4-way high-end industrial server*

   The product is completely independently developed and designed with strong calculation, rich extensions and other characteristics, and is applicable to virtual application and big data analysis for traffic, real-time data processing of security monitoring system, corporate ERP, data bank, information security and other fields.

6. *Main board with extremely powerful computing capacity*

   The product has powerful computing capacity, and can be widely used in communication, automation, medical care and other fields.

7. *Anti-adverse environment rugged laptop*

   The product integrates all anti-adverse environment characteristics in respect of robustness, water tightness, dust prevention, vibration resistance, shock resistance, wide temperature, easy-to-carry, five army EMC tests and other indicators. It can meet the requirements on various anti-adverse environment applications including individual combat, military equipment test, polar science research, etc.

8. *Industrial network information security platform*

   The product applies a humanized structure and is featured by industrialized design, high stability and reliability, distinct client application characteristics, etc. It applies to "severe environment" and satisfies the requirement of "usability as the first security need". It is an information security product tailored for industrial control systems.

   During the period under review, the Group made the outstanding achievement in the informatization construction. It passed the evaluation of MIIT and Chinese Quality Association and was rated as a national "quality benchmark" enterprise; the Company was awarded the "Assessment Certificate of Management System for the Integration of Informatization and Industrialization" (兩化融合管理體系評定證書) by the MIIT, and was the first enterprise which obtained the certificate in the special computer industry, which marked remarkable achievement in the promotion of the informatization and industrialization toward deep integration and construction of integrated management systems of the Company.

Marketing and Brands

The Company provides special computer products and solutions specifically for a number of industries. The automation products produced and distributed by the Company are widely applied in rail transit, information security, smart equipment, aviation and aerospace, robot, artificial intelligence, environmental protection, communication, finance, energy, ocean, medical treatment, video control and internet.

The Company adopted the diversified sales models including direct sales, agents, online sales and telephone sales and made fully use of resources online and offline to take advantage of the mobile platform. The Company has integrated brand marketing with product marketing and will improve the visibility and reputation of "EVOC" brand through the seamless joint of online marketing (mainly through search engine promotion and official Wechat operation) and offline marketing (mainly through seminars and exhibitions). In terms of the marketing reform, the Company combined the thematic marketing of key products with the web promotion of conventional products, confirmed the four product line frameworks including intelligent manufacturing, high-end equipment, communication security and machine vision, placed the focus on annual key topics marketing and promotion, actively explored effective promotion measures and channels, paid attention to the marketing psychological changes of audiences in key marketing industry, and continued to increase marketing efforts on rail transit, network security, smart grid, new energy, smart city, high-end equipment and other industries. By closely combining marketing means with the industry, the Company fit closely to the target user base to transmit the "EVOC" brand image and the corporate image of an industry leader.

In terms of online marketing, the Company made full advantage of the fast transmission of the emerging Internet media, continued to optimize the search engine promotion tools, strengthened the accurate promotion efforts of third-party cooperation media, improved the operating efficiency of its official WeChat, and increased the density and frequency of online marketing activities, so as to effectively improve the influence of EVOC brand. During the period under review, the Company updated and conducted comprehensive image upgrade for its official website. The website design capitalized on the "Internet Plus" idea to stress enhancement of user experience and user satisfaction. The mobile version of official website developed by the Company allows users to enquire information anytime and anywhere. The brand new revised official WeChat is added with the function of online customer service to give prompt response to customers' demands; as well as "online repair application", "enquiry of warranty period", "outlet enquiry" and other functions allowing customers to make enquiry and apply for repair on their mobile terminals. The official WeChat fully utilises the advantages of speed, convenient and real-time transmission to enhance user loyalty and operational efficiency of WeChat.

In terms of offline marketing, the Company gave full play to the advantage of leading in the "EVOC" industry in activity marketing, theme planning, exhibition promotion and event marketing by a way of "meetings of distributors + seminars + professional exhibitions". The meetings of distributors focus on transmitting the latest distributor policy of the Company and analysis of market dynamics to seize the significant position in market with distributors to achieve a win-win situation. In terms of seminars, the Company continued to focus on thematic seminars regarding specific industries and proposed industries covered by specific production line, network seminars and theme planning with the main content of media feature coverage, and capitalized on third-party media transmission platform to achieve the transformation from traditional seminars to seminars on industrial events. Professional exhibitions allowed the Company to display the latest industry solutions and products and achieve direct communication and exchange with industry insiders and customers to significantly increase brand exposure. Also, the Company accurately promoted its new and key products in virtue of web media.

During the period under review, the key measures and achievements realised by the Company in respect of marketing are as follows:

1. The Company increased the investment in the online marketing continually. In addition to Baidu promotion (AD Words auction, Network Alliance, Encyclopedia and Knows), the Company also adopted promotion by 360 search and SM mobile search. Besides, the Company engaged in in-depth cooperation with third-party industry media and website platforms (Control Engineering website, Gongkong website), and opened an account on media platforms including Sohu, Tianya and Toutiao to leverage the communication advantage of video streaming media to comprehensively improve SEM online marketing and SEO search optimization and continuously enhance the exposure and conversion ratio of EVOC brand.

2. The Company put more efforts in the promotion of the "Internet +" platform, planned and organized "The Anniversary (周年慶)", "Industrial Control Festival on 18 June (6.18工控節)", "Double 11 (雙11)", "Double 12 (雙12)", "Smash Gold Egg (砸金蛋)" and other thematic promotion activities by leveraging search engines, WeChat and network media in conjunction with festival marketing, topic marketing and other promotion measures, so as to enable EVOC Commerce Mall be closely connected with its members, which increased readers and trading volume of EVOC Commerce Mall and stimulated the popularity of EVOC Commerce Mall to make the customer groups expand rapidly. The Company powerfully supported the public praise of "EVOC" brand by virtue of the excellent high-quality and excellent services on the online mall.

3. The Company utilized WeChat promotion, search engine promotion, web promotion, H5 promotion and other micro-marketing activities in light of the application of new products in intelligent manufacturing, high-end equipment, network security, localization and other key fields, as a result of which the Company increased exposure and influence of EVOC's brand effectively.

4. The Company held six "door-to-door seminars" in five provinces of Eastern China to accurately recommend the new homemade products and proposals of EVOC, and shortened the distance with key target customers. The Company also held elite training camps in Shanghai, Beijing, Shenzhen and Jinan to enhance the contribution efforts of marketing channel partners.

5. The Company hosted the second meeting on drafting standards of "Automation System Industrial Embedded Intelligent Controller", at which about 30 experts from National Technical Committee on Industry Process Measurement and Control of SAC presented and reviewed the standard draft which was submitted by EVOC. The draft was highly praised by the experts attending the meeting, which was conductive to enhancing our leadership in the implementation of Made in China 2025 plan.

6. In order to cooperate with the implementation of military and civilian integration, the Company participated in a number of exhibitions including the Second Shenzhen International Intelligent Equipment Industry Exposition and the Fifth Shenzhen International Electronic Equipment Industry Exposition held in July 2016, at which Intelligent Vision visual detection equipment, a LCD TV detection system leading the industry, was displayed; the Thirteenth China Eurasia International Army-civilian Combination Technology Industry Exposition and the Twenty Third China International Electronic Information and National Defense Electronics Exposition in August 2016, and the Second Military and Civilian Integration Exhibition in October 2016, at which the Company exhibited its innovative technological achievements and introduced its latest innovations in respect of military technology and achievements in relevant fields to Xi Jinping, President of the PRC, in details.

7. At the channel partner marketing summit themed by "Setting Sail for Bright, Innovation and Share (揚帆光明，創新共用)" held at Huangshan, Anhui, the discussion centered on the way to ensure sustainable growth in 2016 from the perspectives of "Bright Prospect, Cooperation and Share, Mutual Trust Operation (光明前景、協作共用、互信操作)", with an aim to create a new high of net profit. At the meeting, professional discussions were also conducted on the product advantages and layout of the Company, the hottest "Internet of Things (IOT)" in the market and other topics.

8. On 15 January 2016, the Company attended the second meeting of the council of the National Engineering Laboratory and the joint innovation products exhibition, at which the Company submitted the Product Design of Security Industrial Control System and Its Application in the Power Industry (《安全工業控制系統產品設計及在電力行業的應用》), which was selected in the Collection of Industrial Control Information Security Technology Solutions (《工控信息安全技術解決方案匯編》).

9. At the "2016 Year-end Channel Partner Summit" themed by "Focus on Bright, Intelligence Wins the Future (聚焦光明，智贏未來)" held by Shenzhen, the Company and its distribution partners commenced a period of 2.0 cooperation. At the meeting on "Undertaking", "Promise", "Common" and "Win", the new mode for cooperation with distribution partners and the cooperation policy for the new financial year were detailed, allowing all distribution partners fully understand the Company's common objective of "Adherence to Original Tenet, Promising Win-Win (不忘初心，承諾共贏)".

Outlook and Prospects

Looking forward to the future, the Chinese economy is expected to be in a transitional period during which the old growth drivers are undergoing orderly adjustment while the new growth drivers are thriving. With China's industrial structure, pattern of demand and regional structure continuing to improve and stronger support from the service industry and domestic demand in underpinning stable economic growth, China's economy development will become more balanced. With the implementation of the national strategy of "Made in China 2025" recently, as one of the key fields of the strategic emerging industries, the roles of intelligent manufacturing in the industrial transformation and upgrading are more and more important. Owing especially to the booming cloud-computing-platform-based service market, the big data will enter into a stage of application. The high-end intelligent equipment market will enter into a period of rapid development due to the higher demand for reliability, safety and independence of the market. Meanwhile, the increasing demand for localization in the Chinese market, local invested infrastructures as well as greater importance being paid to network information security will also present new market opportunities for the Company's special computer products.

The Company will leverage on its leading edge in terms of brand and quality of special computers, as well as achieve business growth by taking advantage of the opportunities arising from the demand for localization of manufacture and intelligent manufacture. We will remain focusing on electronic equipment, high-speed rail and construction machinery. We will utilize the leading embedded miniature machine and sealing machine products in China to provide various industrial computing solutions for intelligent equipment and manufacturing information systems, which will help to realize the intelligent manufacturing gradually from the equipment automation, plant digitalization and intelligentization of industrial chain.

By offering a full array of high-end network products, the Company will meet the demand for network information security. With a focus on tactic customers, we will target on high-end market. Meanwhile, we will leverage the initiated advantage of industrial server to improve its awareness, and to capture the opportunities arising from the growth of the E-cloud computing/big data market, thus further increasing our market share on the industrial server segment.

The Company will adjust embedded computer and human-machine interface strategies, to better satisfy demand growth in smart-device market, with emphasis being put on industries such as transportation (rail, highway, airport), environmental protection (exhaust, water, de-sulphur) and new energies (wind, nuclear). The Company will also seize the opportunities arising from the growth in demand for automated equipment as a result of industry upgrades, utilizing our advantage of first- in-country machine vision device to win the opportunity brought by automated device demand growth resulted from industry upgrade, with emphasis being put on industrial robots, electronics manufacturing and car manufacturing industry.

APPRECIATION

I, hereby, on behalf of the Board of Directors, would like to take this opportunity to express the sincere thanks to the management and all staffs of the Company for their dedication and hark-work, and extend the heartfelt thanks to customers for their long-term attachment, and to shareholders for their trust and support to the Company, and also thank for the support for the Company from all walks of life. Looking forward to the future, we will continue to bear a positive and prudent attitude and constantly keep an eye on the development of the market and to go all out to develop the business so as to drive the growth.

Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2017

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2016, the Group's reported a total revenue of approximately RMB1,141.7 million (2015: approximately RMB1,444.1 million) representing a decrease of approximately 20.9%, analysed by product category as follows:

	2016 RMB'000	2015 RMB'000	Change percentage
Turnover			
Sales of Special Computer products	**378,290**	337,713	+12.0%
Sales of electronic products and accessories	**515,425**	930,969	–44.6%
Sales of properties	**247,951**	175,417	+41.3%
	1,141,666	1,444,099	–20.9%

Cost of sales and Gross Profit Margin

Cost of sales for the period decreased to approximately RMB938.0 million, represents a decrease of approximately 23.4% as compared to previous year.

Gross profit margin for the period increased to approximately 2.6 percentage points to approximately 17.8%. The increase of gross profit margin was mainly due to decrease in lower profit margin trading business.

Other Income

Other income for the period increased approximately 24.7% from approximately RMB144.4 million in 2015 to approximately RMB180.1 million in 2016. The increase was mainly due to rental income from investment properties.

Selling & Distribution costs

The selling and distribution costs increased 20% from approximately RMB40.2 million in 2015 to approximately RMB48.2 million in 2016. The increase was due to promotional and advertising cost and staff headcounts on property projects.

Administrative Expenses

The administrative expenses increased 17.3% from approximately RMB46.2 million in 2015 to approximately RMB54.2 million in 2016. The increase was due to staff welfare expenses and transportation provided for employees in Guangming plant and office.

Research & Development costs

The research and development costs decreased 6.7% from approximately RMB68.7 million in 2015 to approximately RMB64.1 million in 2016. It was mainly due to decrease in material parts consumables.

Fair value gain

During the period, the Group recorded a fair value gain approximately RMB46.5 million on investment properties and fair value gain approximately RMB155.6 million on transfer of properties held for sale to investment properties.

Finance Costs

Finance costs net of interest capitalized were approximately RMB36.0 million in 2016, compared with approximately RMB52.7 million in 2015, representing a decrease 31.7%.

Income tax expenses

Income tax expenses increased 169.9% from approximately RMB35.2 million in 2015 to RMB95.0 million in 2016. The increase was mainly due to increase in deferred taxes in revaluation of properties.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company increased from approximately RMB229.7 million in 2015 to approximately RMB269.1 million in 2016, representing an increase of approximately 17.2%. The net profit margin has been increased from 15.9% to 23.6%.

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 2016, the Group's gearing ratio had decreased to approximately 57 % (calculated on the basis of the Group's total liabilities over total assets) from approximately 58.7% as at 31 December 2015. At the year end date the Group's total bank borrowings amounted to approximately RMB1,547 million (2015: approximately RMB1,534 million). The Group's cash and bank balances as at 31 December 2016 has increased to approximately RMB426.6 million (2015: approximately RMB418.7 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to approximately 1.33 as at 31 December 2016 (2015: approximately 1.19).

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 2016.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had authorized but not contracted for and contracted but not provided for were amounting to approximately RMB456 million (2015: RMB395 million) in respect of the construction of buildings and properties under development in Kunshan and Hangzhou.

PLEDGE OF ASSETS

At 31 December 2016, 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 RMB1,638.0 million (2015: approximately RMB1,524.7 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 2016, the Group had total workforce of 906 (2015: 954). Employee benefit during the year were approximately RMB84.2 million.

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

RISKS AND UNCERTAINTIES

The Company has identified principal risks and uncertainties that the Group faces with respect to economic risks, operational risks, regulatory risks, financial risks, and specific risks related to the Group's corporate structure.

The Group's business, future results of operations and future prospects could be materially and adversely affected by those risks and uncertainties. The following highlights the principal risks and uncertainties of the Group and it is not meant to be exhaustive. There may be other risks and uncertainties which are not known to the Group or which may not be material now but turn out to be material in the future.

Operational Risks

1. *Demands for a Number of Professional Technologies*

   Special computer is the combination of computer, communication and software technologies. Development of this product requires cooperation of professionals in computer hardware, micro-electronics, network, software and precision machinery, and there are a number of special computer categories for the purposes of different industries. As a technology-intensive and capital-intensive industry with higher requirements on technologies of a single product, the yield of which is not large, its comprehensive entry barriers are high.

2. *Industry Barriers*

   The development of special computer product requires a good knowledge of critical technologies in terms of computer, communication and software, extensive experience in product development and production management and a profound understanding of the knowledge on application of products in the target industries. Due to the aforementioned factors, the special computer market, as the main competitor, can only build its competitive edge relying on the gradual accumulation in the long-term development, production and operation practices, and construction of sales channel, as well as rich experience in industry application. As a result, the industry has higher entry barriers.

Macroeconomic Risk

The recent slowed growth rate of global and Chinese economy due to the effects of macro control posed certain shock against the traditional processing and manufacturing industry in the PRC. The economic development status under the "new norm" has forced manufacturing to transform and upgrade, additionally the Chinese government actively pushes a series of policies such as "Great Ocean Power", "One Belt and One Road", "Made in China 2025". These measures have brought extensive opportunities for the Chinese special computer industry. Facing the new market situation and environment, the Company endeavoured to convert crises into opportunities through continuous adjustments to the market structure and the good brand influence of EVOC. In addition, the main competitors are out of the PRC and exposed to the most adverse impact from the financial crisis as compared to the Company. The Company may take advantage of the occasion to enter more new special computer incremental markets.

Due to the import of certain raw materials required by the Company and part of the advanced equipment during development, and the export of some products, the exchange gain or loss of the Company is subject to the effects arising from fluctuations in price and exchange rate in the international market.

Capital Risk
Details of capital risk are set out in note 33 to the financial statements.

Financial Risk
Details of financial risk are set out in note 34 to the financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Chen Zhi Lie (陳志列), aged 53, the Chairman, an executive director and the Chairman of the nomination committee of the Group. He is the founder of the Company and is responsible for the overall strategy and planning for the business of the Company. Mr. Chen graduated with a bachelor degree of engineering in computer application from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He also obtained a master degree in computer science and computer engineering from the department of engineering in Northwestern Polytechnical University (西北工業大學) in 1990. Mr. Chen has over 29 years of experience in computer and automation of control systems.

In February 2003, Mr. Chen was awarded the prize of Guangdong Province Outstanding Entrepreneur of Domestic-owned Enterprises (廣東省優秀民營企業家) by Guangdong Province Government (廣東省人民政府). Mr. Chen was accredited as "Manager of Edges in Comprehensive Quality Control (全面質量管理優勢管理者)" by Quality Association of Shenzhen and as "Excellent Small Medium Enterprise of Shenzhen (深圳市優秀中小企業家)" by Association for Small Medium Enterprises of Shenzhen in 2004. In 2005, Mr. Chen was elected as a member of the Executive Committee of the Fourth Chinese People's Political Consultative Conference of Shenzhen (深圳市第四屆政協常委). In 2007, Mr. Chen was elected as a member of Guangdong Political Consultative Conference (廣東省政協委員). In 2008, Mr. Chen was accredited as 2007 CCTV's Man of the Year in Chinese Economics and awarded the prize of Innovation of the Year. In 2010, Mr. Chen was elected as a Nation commissar of the Chinese People's Political Consultative Conference (CPPCC). In 2012, Mr. Chen was elected as the President of the Commerce Association of Technology Equipment Industry under the All-China Federation of Industry & Commerce, the primary legal representative and the vice-chairman (vice-president) of the Guangdong Federation of Industry and Commerce (General Commerce Association). In 2013, Mr. Chen was elected to the BRICS National Business Council.

Tso Cheng Shun (曹成生), aged 88, 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.

Geng Wen Qiang (耿穩強), aged 61, an executive director, the compliance officer and a member of remuneration and review committee of the Group. He is a professor-level senior engineer. He joined the Company since August 2007 and currently is the general manager of the Company's production center. Mr. Geng graduated with master degree in automation from Xi'an University of Technology (西安科技大學) in 1983. Mr. Geng has over 33 years in computer and automation of control system. In 2012, Mr. Geng was elected as executive vice president of Shenzhen Computer Industry Association and the representative of Shenzhen Nanshan National People's Congress. In July 2015, Mr. Geng was awarded Shenzhen Primary Computer Technology Contribution Award (深圳市一級計算機科技貢獻獎章).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu Tat Chi, Michael (余達志), aged 52, an independent non-executive director and the Chairman of the audit committee of the Group. He holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of the The Hong Kong Independent Non-Executive Director Association. He has many years of experience in accounting, corporate finance and asset management. He has held senior management positions in several listed companies in Hong Kong. He is currently an independent non-executive director of Golden Resources Development International Limited (stock code: 677) and Applied Development Holdings Limited (stock code: 519), both companies are listed in Hong Kong.

Dong Li Xin (董立新), aged 57, an independent non-executive Director, a member of the audit committee, a member of nomination committee and the chairperson of the remuneration and review committee of the Company. Mr. Dong graduated from Tsinghua University (清華大學) in the PRC with a bachelor degree in automation in 1984 and he currently holds a managerial position in the engineering department in Shenzhen World Miniature Co. Ltd. in the PRC.

Wen Bing (聞冰), aged 55, as an independent non-executive Director and a member of the nomination committee of the Company. Mr. Wen obtained a bachelor degree in computer studies from Liaoning Architectural and Civil Engineering Institute (遼寧建築工程學院) in the PRC in 1984. He has over 30 years of experience in computer engineering and had held various senior positions in state-owned enterprises and transnational corporation. He is currently an executive director and the general manager of ETechsoft Co., Ltd. (深圳市欣軼天科技有限公司) as well as the general manager and chief technical officer of Televoice China (Shenzhen) Limited (聲訊亞洲中國公司).

Zhang Da Ming (張大鳴), aged 43, an independent non-executive director, a member of audit committee and a member of remuneration and review committee of the Group. Mr. Zhang graduated from the Xiamen University in 2001 with a Master degree in law and graduated from Cheung Kong Graduate School of Business (長江商學院) in 2012 with a Master degree in business administration. Mr. Zhang has provided legal services for the banks in Shenzhen and Hong Kong and for state-owned assets management companies and he has rich experience in internal corporate governance. He is currently a senior partner of Beijing Jincheng Tongda & Neal (Shenzhen) offices (金城同達（深圳）律師事務所).

SUPERVISORS

Pu Jing (濮靜), aged 51, an staff representative supervisor and the Chairman of the supervisory committee of the Company. Ms. Pu graduated from Wuhan Iron and Steel University (武漢鋼鐵學院) in the PRC with a bachelor degree in engineering in electric automation in 1988. She has over 26 years of experience in industrial computer testing.

Zhan Guo Nian (詹國年), aged 46, an staff representative supervisor of the Company. Mr. Zhan graduated from Chengdu Geological College (中國成都地質學院) in the PRC with a bachelor degree in engineering in 1991. He has over 25 years of experience in management and administration. Mr. Zhan joined the Company for management and administration work in March 2001.

Zhang Zheng An (張正安), aged 41, an shareholders representative supervisor of the Company. Mr. Zhang was graduated from high school. He has over 20 years of experience in management and administration.

Ng Mun Hong (吳滿康), aged 51, an independent supervisor of the Company. Mr. Ng obtained an Associateship in Textile Technology from Hong Kong Polytechnic in Hong Kong in 1992. He got Chartered and Associateship member qualification from The Textile Institute in U.K. in 1995. He is currently a director and project manager of Katz Limited in Hong Kong.

Kwok Ka Man (郭家文), aged 47, an independent supervisor of the Company. Ms. Kwok graduated from high school and has over 28 years of experience in management and administration. She is currently a secretary of Katz Limited in Hong Kong.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tsui Chun Kuen (徐振權), aged 66, 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 28 years experience in finance and accounting. Mr. Tsui has 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 June 2007 till now.

SENIOR MANAGEMENT

Liu Zhi Yong (劉志永), aged 43, is the general manager and is the head of research and development department of the Company. He joined the Company since 1999 and has served as software engineer, BIOS engineers, software manager, departmental head of technology R&D and vice president. He took up the general manager duties in 2014. Mr. Liu is a certificate holder in computer and the application from Nanchang University (南昌大學), and he obtained senior programmer qualifications of China Computer Application Software Practitioner Standard Examinations Board (中國計算機應用軟件人員水平考試委員會) in 1996. Mr. Liu has over 23 years of experience in computer engineering, control systems integration and enterprise management, and he has a number of invention patents and access to the Shenzhen Municipal Technological progress First and Second Class Prize (深圳市科技進步一、二等獎) since he joined the Company.

Chen Xiang Yang (陳向陽), aged 50, the assistant general manager of the Company. He obtained a bachelor degree in wireless electronics technology from Chongqing University (重慶大學) in the PRC in 1988. He is in charge of the quality control and production functions of the Company. He has over 22 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 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the research, development, manufacture and distribution of Special Computer products, trading of electronic products and accessories, and development of properties in the PRC. Details of the principal activities of the subsidiaries are set out in note 29 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Companies Ordinance"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2016, and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement", "Management Discussion and Analysis", "Report of the Directors", "Environment, Social and Governance Report" and "Corporate Governance Report" sections of this Annual Report respectively. The above sections form part of this report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 105.

The Board of directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: RMB0.015 per share).

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 26 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 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with relevant rules and regulations and the Company's articles of association, amounted to approximately RMB1,232 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 42.1% of the Group's revenue was attributable to the Group's five largest customers and sales to the Group's largest customer accounted for 55.6% of the Group's revenue for the year. 48.6% 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 31.0% of the Group's total purchases.

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

DIRECTORS AND SUPERVISORS

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

Executive directors:

Chen Zhi Lie *(Chairman)*	
Tso Cheng Shun	
Zhu Jun	Resigned on 30 May 2016
Geng Wen Qiang	Appointed on 30 May 2016

Independent non-executive directors:

Ling Chun Kwok	Resigned on 30 May 2016
Yu Tat Chi, Michael	Appointed on 30 May 2016
Dong Li Xin	
Wen Bing	
Zhang Da Ming	

Supervisors:

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2016.

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 2016, the interest and short positions of the Directors, supervisors (the"Supervisors") and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position — interests in the Company

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

Notes:

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

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

(b) Long position — interests in associated corporations

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

Note:

Ms. Wang Rong (王蓉) is the spouse of Mr. Chen and therefore Mr. Chen is deemed to be interested in the shares held by Ms. Wang Rong (王蓉) and Ms. Wang Rong (王蓉) is deemed to be interested in the shares held by Mr. Chen by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Long positions in shares

Name of shareholder of the Company	Nature and capacity in holding shareholding interest	Number of shares	Class of Shares	Percentage of the relevant class of shares	Percentage of total registered share capital
EVOC Hi-Tech. Holding Group Co., Ltd. (Note 1)	Registered and beneficial owner of the Domestic Shares	878,552,400	Domestic Shares	95.00%	71.25%
Chen Zhi Lie (陳志列) (Note 1)	Interest of a controlled corporation	878,552,400	Domestic Shares	95.00%	71.25%
Shenzhen Haoxuntong Industry Co., Ltd. (Note 2)	Registered and beneficial owner of the Domestic Shares	46,239,600	Domestic Shares	5.00%	3.75%
Chen Zhi Lie (陳志列) (Note 2)	Interest of a controlled corporation	46,239,600	Domestic Shares	5.00%	3.75%

Notes:

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

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

Save as disclosed above:

(i) As at 31 December 2016, none of the directors, supervisors or chief executives or their respective associates has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (if any) (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (including interest which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and

(ii) As at 31 December 2016, so far as is known to any director or supervisor, there is no person (other than a Director or supervisor or chief executive of the Company) who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Enlarged Group or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

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

SHARE OPTION SCHEME

Up to 31 December 2016, the Company has not adopted any share option scheme or granted any option.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealing and the code of conduct for directors' securities transactions during the year ended 31 December 2016.

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BANK BORROWINGS

As at 31 December 2016, the bank borrowings 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.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

By Order of the Board

EVOC INTELLIGENT TECHNOLOGY COMPANY LIMITED*
Chen Zhi Lie
Chairman

Shenzhen, the PRC, 30 March 2017

* *For identification purpose only*

Adhering to our corporate principle of "integrity and harmony, sustainable operation", EVOC endeavors to combine its development with extensive social responsibilities to realize the harmony and unity of corporate interest and social objective. The Company cooperates with stakeholders and industrial value chains to jointly create a harmonious ecological environment suitable for the growth and development of the Company and the world.

A. ENVIRONMENT

A1: Emission

The Company highly values environmental protection practices. Constantly driven to go green, we invest special funding each year into making our production environmentally friendly. The Company upholds "green production", regularly upgrading our production equipment not only to improve operating efficiency, but also to greatly reduce energy consumption. We work to contribute to air quality improvement by preventing direct emissions of dust generated during production process through collection and conversion techniques. The Company has also achieved a paperless office with our active promotion of office automation, as well as the introduction of the MES system, in conjunction with the PLM, SAP and OA systems.

The Company is investing in solar heating for our industrial park, in order to effectively utilize new energy and reduce energy consumption. The Company actively promotes environmental practices during internal training sessions and meetings, equipping every employee with environmental awareness of energy conservation and emission reduction. The Company is already practicing new environmental laws that will come into effect, affirming our environmental protection responsibilities. We comply with relevant regulations consciously, establishing and improving the responsibility system for pollution prevention. The Company also put in strong efforts on the training of foundational skills to ensure overall readiness in areas such as environmental awareness, basic management, and emergency planning.

The Company is constantly alert to the latest national environmental protection laws and regulations concerning the emission of waste gases and greenhouse gases. Besides our strict compliance with the law, the Company also takes care to ensure that our operations do not cause significant environmental impact nor produce hazardous pollutants.

A2: Resource Consumption

The market standing of an enterprise not only depends on the quantity and quality of the resources at its disposal, but also its efficiency in utilizing its resources. Focusing on internal management and corporate governance, the Company formulated various management systems including quality management, technology management, facilities management, financial management, and staff management, regulating the energy and resources used in our production, operations, and management activities, raising the Company's consumption efficiency and cost-effectiveness.

1. ***Prudent Distribution and Comprehensive Utilization of the Resources***

   Following the principles of uniformity and centrality, the Company emphasizes streamlined management, minimizing communication cost, and improving the consolidation of resources. The Company regularly convenes meetings for senior level management, exchanging working experiences, identifying and analyzing problems, and promptly crafting solutions, thereby optimizing resource allocation. Concurrent with our devotion towards making technological breakthroughs, the Company conducts regular meetings and spot checks to monitor work schedules and statuses, communicate up-to-date information, work on prompt resolution of problems requiring coordination, thus strengthening the daily communication and coordination between relevant departments, realizing the mutual cooperation of various departments and project teams, and adding and creating value from available resources.

2. *Energy Conservation and Consumption Management*

On the macro level, increasing energy efficiency and reducing energy consumption is both the fundamental solution to the issue of China's resource scarcity, and the security for rapid and healthy economy development. At the micro level, it is a vital practice for enterprises, both in terms of the importance to society as a whole, as well as to the sustainable development of the enterprise itself.

(1) Energy Conservation and Emission Reduction Measures

The Company vigorously promotes the spirit of energy saving and consumption reduction. We organize educational activities to inculcate our staff with the mindset of energy conservation, as well as receive feedback from our staff on energy saving suggestions.

The Company incorporates the practice of "resource saving and environmental protection" in each step of production and office operations, including energy saving for electricity, water, office equipment, appliances, facilities, and mechanic equipment.

(2) Energy Conservation and Consumption Reduction Measures

The Company conducts water conservation education for employees, encouraging the reuse of water so as to minimize water resource consumption and reduce the generation of waste water at the source. We work to ensure proper assembly and prompt repair of water supply equipment to maintain them in optimum condition.

The use of power in the Company's production process complies strictly with the *Electric Power Law* of the People's Republic of China. Our production operations adhere to the principles of conservation, safety, high efficiency, and low consumption. Our office operations maintain electricity saving policies. Lights are switched off when no one is around. Appliances not in used are promptly turned off. Office equipment, such as computers, copiers, and printers are configured to automatically enter low energy-consumption and hibernation modes when not in use, and are powered off to reduce stand-by electricity consumption if they are not actively used.

The Company adopts paperless office and reuse of paper policies. Waste printing paper is used for printing documents for proofreading, and documents are also checked as much as possible to avoid excessive use of paper in printing. With the exception of formal documents and data, all departments adopt electronic files as far as possible. Paper is printed on both sides and materials not related to work are not allowed to be printed or copied at office.

A3: Environment and Natural Resources

Considering the direct and indirect impact on the environment in the areas where the Company operates, we are devoted to reducing and alleviating any negative impact of the Company's activities as much as possible, continuously seeking performance improving methods, and promises to reduce environmental influence as much as possible on the resources, such as energy and water.

The Company implements numerous measures, including upgrading hardware equipment, using clean energy sources, and improving our administrative management system. Details can be found in the previous sections, under "Emissions" (A1) and "Resource Consumption" (A2). In addition to our compliance with the relevant laws and regulations and continuously enhancing product research and development, the Company is also dedicated to exploring the application of environmental friendly materials into its products.

B. SOCIAL

B1: Caring about our staff

People are the core competitiveness of enterprises and the development of any enterprise is inseparable from having excellent human resources. The Company provides a series of welfare protection for staff and always attaches importance to staff training. We adhere to the talent strategy of "people first", offering timely and reasonable returns to our employees according to their performance and contribution. We help our employees improve themselves by providing training and clear career development channels. In addition, we have an advanced communication channel for our employees. The Company attaches great importance to our employees' leisure, mental health, and family life, encouraging them to carry out various forms of corporate culture activities to enrich their lives outside of work.

(1) The Company not only provides competitive salary for employees, but also adjusts salary in a timely manner, by performing regular studies into external labor market changes and salary standard, and reviewing the Company's business and individual performance.

(2) The Company provides abundant compensation and welfare for employees. Employee dormitory is provided for free, with many recreational facilities such as employee gym, yoga room, KTV, indoor constant-temperature swimming pool, cinema, basketball court, football court, as well as recreational activities such as dancing, fitness group, and charity activities.

(3) The Company organizes monthly cultural and sports competitions, as well as large annual festivities, to allow staff to train physically, and to strengthen team cohesiveness. These include mountain-climbing competitions, "Running EVOC" sports meet, singing competitions, EVOC football competition, the "Man of the Year" awards party, and the Spring Festival Gala.

(4) The Company frequently carries out various forms of corporate culture activities such as corporate culture salons, baking classes, general family mobilizations, EVOC maker and creativity contests, fraternities for single employees, and tours to Europe for senior employees.

B2: Health and Safety

The Company is committed to providing a safe and healthy working environment for our employees and to improving work satisfaction. We regard the safety and health of employees as of utmost importance in various operations of the Company, based on both humanitarian and economic concerns.

The Company has established and improved the safety and occupational health management systems, strictly abiding by the national labor, safety, occupational health and other laws, regulations, and standards. For managers at various levels of the Company, the employees' safety and health comes first and foremost; the safety responsibility is a part of the duties of managers at all levels. The Company takes measures to prevent our employees from occupational injury and property loss as far as possible, protecting the Company, its customers, and the public from being harmed in case of accidents.

B3: Development and training

The Company provides advanced career development channels for employees, so employees can improve themselves through career information channels, such as management, technology, business, and profession.

The Company regularly carries out diversified training activities, such as product knowledge training, one on one tutoring by experienced tutors, management knowledge training, external studying opportunities, and high-end exchange meeting.

B4: Labor Standards

The Company strictly complies with the *Labor Law*, the *Labor Contract Law*, the *Social Insurance Law* and other relevant laws and regulations, emphasizes human resource management, establishes a competitive salary and welfare system, and pays attention to employee career development. The Company also respects and protects the legal rights of employees, implementing labor contract signing, renewal, change, termination, cancellation, and other operations in accordance with relevant laws. The Company has established labor contract accounts, as well as reasonably setting performance evaluation indicators, fully paying monthly labor compensation, fully paying social insurance in accordance with laws, and guaranteeing legal working time. The Company provides welfares and security for employees in accordance with relevant national laws and regulations. The policy for selection and appointment of management is competition for posts, providing advanced career development channels for employees, and giving professional titles to eligible employees.

B5: Supply Chain Management

Effective supply-chain management plays an important role in pushing the sustainable development of businesses. The Company is dedicated to improving product innovation, quality supervision, supply-chain response speed, and cost effectiveness, which are of great significance for business development. Through improving supply chain management, the Company can provide products for customers more effectively.

The Group has established good long-term partnerships with most of our raw material suppliers, signing long-term supply contracts to ensure stable supply, price, and primary technologies. Moreover, the Group purchases principal raw materials through multiple channels, avoiding reliance on a single supplier, while making selections at low price to control cost and quality of raw materials. According to the forecasts of actual market demands, the Company also formulates reasonable production plans and procurement plans of raw materials to determine a reasonable inventory and reduce the risk of overstock. In order to avoid negative influence of fluctuations on prices of raw materials of the Company, it will also improve manufacturing techniques, enhance internal management and cost control, improve product quality and reduce product costs.

B6: Product Liability

Taking "satisfying or exceeding customer expectation" as our operation goal, the Company treats customers sincerely to build a harmonious internal and external environment.

Intellectual Property

Over our 20 years of development, the Company has been honoured with numerous awards, including National Innovation Enterprise, National New High-tech Enterprise, Key Software Enterprise in the state planning, New Key High-tech Enterprise of National Torch Program, Top 100 Independently Innovative Enterprises, Top 500 Private Enterprises, and National Advanced Grassroots Party Organization in 2012. As a national model of independent innovation, the Company was awarded as one of ten typical models of independently innovative private enterprises and National Special Type Computer Demonstration Base by the Propaganda Department of the Central Committee of the Communist Carty of China and the All-China Federation of Industry and Commerce. The Company has a national special computer engineering and technological research center, a national engineering laboratory and the nationally recognized brand "EVOC". The Company and its products has received numerous national, provincial and municipal awards. The Company has compiled 19 national standards and 2 industry standards issued by the special computer industry, and drafted development planning of the "12th Five-year Plan" of the computer industry as entrusted by the Ministry of Industry and Information Technology of China. The Company owns over 600 patents (more than half of them were invention patents) and nearly 1,000 non-patent core technologies.

Quality Assurance

The Company regards "satisfying customers and quality first; responding quickly and prevention; improving continuously and pursuing excellence" as its quality management principle and promises "return and replacement within one month, two year warranty, lifelong service, and response to customer demands for 24 hours".

The Company has new plants, advanced production, and testing equipment, outstanding human resource management, and comprehensive quality management system. The Quality Department deals with a series of quality control process from raw material inspection, process control, shipping inspection, final control of finished products, and analysis of customer complaint in supplied materials/goods/warehousing to guarantee product quality. The Quality Department has set up a quality inspection team which regularly conducted systematic examination on the production sites. Once any department or link is found failure to meet requirements of quality system, the inspection team issues corrective and preventive reports and accountability units had to rapidly put forward solutions, take action, and locates the department that is responsible.

After-Sales Service

To improve the quality and efficiency of customer service, the Company provides customers with high quality after-sales service.

(1) Telephone service. The Company offers customers free telephone technical support service for life. The 24-hour service hotline is 4008809666.

(2) Delivery and repair service. This service allows customers to send machines or faulty units to the maintenance center of the Company for repair. It is also called the delivery and repair service or RMA service.

(3) Door-to-door service. The Company provides door-to-door service by engineers in Mainland China (excluding Xinjiang, Tibet, and Inner Mongolia.) Customers who need door-to-door service can purchase the EVOC annual door-to-door service card.

(4) Delivery service. When it is confirmed that customers can replace damaged parts, keyboards, mouse and cable by themselves, the Company will deal with these situations by "delivery service".

B7: Anti-Corruption and Prevention of Commercial Bribery

The Company has preliminarily established relevant systems concerning anti-corruption and the prevention of commercial bribe, as well as managing our subsidiaries in a unified way.

1. *Strengthening Integrity*

   The Company has established a credit file system by post commitment and service commitment. In accordance with laws and regulations as well as self-regulation rules, employees involved in commercial bribe shall have their opportunities stripped and limited, as a way of making them pay the price, bear the corresponding risk, and suffer the appropriate consequences, while ensuring that honest, trustworthy, and law-abiding employees have their ethical behavior and interests protected and encouraged. An advanced accounting system has been established, and bill management has been improved to reduce cash transaction.

2. *To Establish and Improve the System for Prevention of Commercial Bribery*

The Company has formulated a code of conduct and professional standard, advocating the trust system of anti-commercial bribery, and strictly adheres to the rules of fair competition and lawful operation. The Human Resource Department regularly carries out relevant training of professional ethics education to raise the awareness of observing law for managers and staff and to familiarize related people with professional code of ethics, making them develop good occupational habits.

To encourage insiders to proactively report commercial bribery, the Company keeps the identity of whistleblowers strictly confidential and provides material rewards for the whistleblower. The Company has set up reporting mailboxes to encourage staff and people in the same industry to make complaints and reports.

The Company stipulates that suppliers should be selected in an equitable manner (including bidding method) and reciprocal transactions are prohibited. If it is necessary to meet with suppliers, at least two people shall be present. The Company imposes penalties on and may even dismiss employees who violated the rules. The Company requires employees holding special positions to sign agreements and sets the rules of prohibition to prevent employees and cooperation units from bribing related people and stakeholders in work.

B8: Community Participation

The Company insists on giving back to the community in the course of our development, actively performing corporate social responsibility and taking part in social activities for public charity activities in various ways. During the period under review, the Company took part in a series of charity activities in the "Kexie Cup" of Shenzhen to promote physical health of employees, as well as demonstrating the spiritual well-being of the research team and the technical staff, achieving the goal of green health.

OPERATING PRACTICE

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

The Company is a member of Industrial Control Computer Technical Committee and Severe Environment Computer Technical Committee of China Computer Federation. It established EVOC Intelligent Science and Technology Association, undertook building of Shenzhen Ocean Industry Association and set up the communication and cooperation platforms for more upstream and downstream relevant enterprises. As a leading brand of special computers, EVOC attended all kinds of activities held by the association of Chinese computer users and was awarded the prizes of the "Best Service Provider of Informationization in China for 2016" and "Chinese Server of Leading Brand in 2016".

The Company attended the 12th annual meeting of Chinese E-banks and delivered a speech themed "the industrial control industry advances financial intelligence" at the meeting, building good partnership with the financial industry and pushing forward intelligent development of financial industry.

Leveraging on our own advantages, we entered into strategic partnership with domestic famous scientific research institutions, such as Institute of Computing Technology Chinese Academy of Sciences, National University of Defense Technology, Jiangnan Institute of Computing Technology, MPRC, Peking University, Beijing University of Aeronautics and Astronautics, Harbin Institute of Technology, Northwestern Polytechnical University, Sun Yat-Sen University and South China University of Technology and so on with a purpose to promote the application and development of domestic chip application engineering, network information security, Internet of Things, aerospace, ocean technology, cloud computing and other technologies. Especially this year, the Company entered into strategic cooperation with South China University of Technology to carry out the win-win co-operation, exert their own advantages and boost the application and development of robots; it visited College of Electronics and Information Engineering of Beihang University and proposed to co-build the aeronautics and astronautics computer technology joint laboratory, which is under the intensive promotion; it reached the agreement with Sun Yat-Sen University to recommend research and development and application of the intelligent industrial control platform facing the intelligent manufacturing.

The Company has close cooperation with local small and medium-sized enterprises which are developing together with us, thus promoting our common development. We delivered our operation philosophy to suppliers through website, seminars, qualified supplier management system and various communications with suppliers, thus to promote the close cooperation between us.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is a key factor in improving the confidence of existing and future shareholders, investors, employees, business partners and the community as a whole. The Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules without any deviation. None of the Directors is aware of any information that would reasonably suggest that the Company is not or was not in compliance with the Code at any time during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period from 1 January 2016 to 31 December 2016.

THE BOARD

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

The main responsibilities of the Board include:

— To implement resolutions of the general meetings;

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

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

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

— To review approve the appointment of auditor of the Group;

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

In addition, the Board carries the function of reviewing the corporate governance practice and disclosure system as follow:

— Develop and review the Company's policies and practices on corporate governance;

— Review and monitor the training and continuous professional development of directors and senior management;

— Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

— Review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD COMPOSITION

The Board comprises seven directors, with three executive directors, four independent non-executive directors. The biographical details of all Directors are set out in pages 17 to 19 of this annual Report.

BOARD DIVERSITY POLICY

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' TRAINING

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

For the period from 1 January 2016 to 31 December 2016, all Directors provided their records of training to the Company. All Directors, namely Mr. Chen Zhi Lie, Mr. Tso Cheng Shun, Mr. Geng Wen Qiang; Mr. Yu Tat Chi, Michael, Mr. Wen Bing, Mr. Dong Li Xin and Mr. Zhang Da Ming, participated in this continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching listing rules and disclosure of inside information, etc.

COMPANY SECRETARY'S TRAINING

Pursuant to new Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending in-house briefings, attending seminars and reading relevant guideline materials.

CHAIRMAN AND GENERAL MANAGER

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

BOARD MEETING

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

The Company held four full Board meetings in the financial year ended 31 December 2016. The directors participated in person or through electronic means of communication. The following is an attendance record of the meetings by each director:

	Number of meetings attended/ held during the director's term of office			
	Board	**Audit committee**	**Remuneration and review Committee**	**Nomination Committee**
Executive directors:				
Chen Zhi Lie *(Chairman)*	4/4	—	—	1/1
Tso Cheng Shun	4/4	—	—	—
Zhu Jun (resigned on 30 May 2016)	2/4	—	1/1	—
Geng Wen Qiang (appointed on 30 May 2016)	2/4		0/1	
Independent non-executive directors:				
Ling Chun Kwok (resigned on 30 May 2016)	2/4	1/2	—	—
Yu Tat Chi, Michael (appointed on 30 May 2016)	2/4	1/2		
Dong Li Xin	4/4	2/2	1/1	1/1
Wen Bing	4/4			1/1
Zhang Da Ming	4/4	2/2	1/1	—

BOARD COMMITTEES

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

REMUNERATION AND REVIEW COMMITTEE

The remuneration and review committee of the Company comprises one executive director, Mr. Geng Wen Qiang and two independent non-executive directors, Mr. Dong Li Xin and Mr. Zhang Da Ming. Mr. Dong Li Xin is the Chairman of the remuneration and review committee. Written terms of reference of the remuneration and review committee which comply with the code provisions set out in the Code has been adopted by the Board. The remuneration and review committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board. The remuneration and review committee held one meeting during the year ended 31 December 2016.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 10 to the financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company comprises one executive director Mr. Chen Zhi Lie, and two independent non-executive directors, Mr. Dong Li Xin and Mr. Wen Bing. Mr. Chen Zhi Lie is the Chairman of the nomination committee. The nomination committee is primarily responsible for considering and recommending to the Board suitably qualified persons to become the members of the Board and also reviewing the structure, size and composition of the Board on a regular basis and as required. The nomination committee held one meeting during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Yu Tat Chi, Michael, Mr. Dong Li Xin and Mr. Zhang Da Ming. Mr. Yu Tat Chi, Michael is the Chairman of the audit committee. Written terms of reference of the audit committee which comply with the code provisions set out in the Code has been adopted by the Board. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met on a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters. The audit committee reviewed and monitored the external auditor's independence and effectiveness of the audit process in accordance with applicable standard. The audit committee has discussed with the management and reviewed the annual results of the Group for the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, auditor's remuneration for audit services is approximately RMB1,690,000 (2015: RMB1,476,000). Other than audit, no services such as due diligence and other advisory services were provided.

EMOLUMENT POLICY

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

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2016. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

SHAREHOLDER'S RIGHTS

Shareholders' Right to Propose Resolutions at General Meeting

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

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

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

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

Communication with the Board

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

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with Listing Rules. Meeting with media and investors were conducted periodically as necessary. The Company also replied the inquiry from shareholders timely. Our corporate website www.evoc.com contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group which enable shareholders and investors to have timely and updated information of the Group.

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

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

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

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

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

By order of the Supervisory Committee

Pu Jing
Chairperson

Shenzhen, the PRC, 30 March 2017

BDO

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

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

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

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of EVOC Intelligent Technology Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 105, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties and land and buildings (note 14 and 15 to the consolidated financial statements)

The Group had investment properties, and land and buildings, which were stated at fair value or revalued amount less accumulated depreciation.

Management estimated the fair values of these investment properties and land and buildings to be RMB1,619,097,000 and RMB516,603,000 respectively as at 31 December 2016. Independent external valuations were obtained in order to support management's estimates. Valuations are dependent on certain key assumptions that require significant management judgement including capitalisation rates, market rents, market rental growth rates, discount rates, price and cost of construction per square meter.

Our response:

- Evaluating the independent external valuers' objectivity, competence and capabilities;

- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; and

- Checking, on a sample basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by the available evidence. We found the disclosures in note 14 and 15 to be appropriate.

Impairment assessment of properties under development and properties held for sale (note 18 to the consolidated financial statements)

The Group had properties under development and properties held for sale with an aggregate carrying amounts of RMB1,014,040,000 and RMB528,043,000 respectively as at 31 December 2016. Management concluded that the net realisable values were higher than their carrying amounts such that no impairment provision was required. Independent external valuations were obtained in order to support management's estimates. Valuations are dependent on certain key assumptions that require significant management judgement including capitalisation rates, market rents, market rental growth rates, discount rates and price per square meter. The valuations of properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.

Our response:

- Evaluating the independent external valuers' objectivity, competence and capabilities;

- Assessing the methodologies used and the appropriateness of key assumptions based on our knowledge of the property industry;

- Checking, on a sample basis, the accuracy and relevance of the input data used; and

- Assessing the reasonableness of the costs to complete and sell estimated by the management based on our knowledge of the relevant development.

We found the key assumptions were supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number: P05309

Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	7	**1,141,666**	1,444,099
Cost of sales		**(938,014)**	(1,225,048)
Gross profit		**203,652**	219,051
Other income	7	**180,104**	144,400
Selling and distribution costs		**(48,201)**	(40,156)
Administrative expenses		**(54,220)**	(46,200)
Other operating expenses		**(83,314)**	(99,125)
Fair value gain on investment properties	15	**46,457**	19,345
Fair value gain on transfer of properties held for sale to investment properties		**155,589**	120,256
Finance costs	8	**(35,986)**	(52,678)
Profit before income tax	9	**364,081**	264,893
Income tax expense	11(a)	**(95,023)**	(35,172)
Profit for the year attributable to owners of the Company		**269,058**	229,721
Other comprehensive income, after tax			
Items that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of land and buildings	14 & 25	**23,971**	87,711
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(184)**	(58)
Other comprehensive income for the year, net of tax		**23,787**	87,653
Total comprehensive income for the year attributable to owners of the Company		**292,845**	317,374
Earnings per share — Basic and diluted (RMB)	13	**0.218**	0.186

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	826,856	965,334
Investment properties	15	1,619,097	936,138
Prepaid land lease payments	16	44,553	45,569
Deferred tax assets	25	23,025	26,420
Total non-current assets		2,513,531	1,973,461
Current assets			
Inventories	17	31,179	26,909
Properties under development	18	1,014,040	653,107
Properties held for sale	18	528,043	906,719
Prepaid land lease payments	16	1,016	1,016
Trade receivables	19	6,465	105,882
Bills receivable	19	30,888	26,724
Other receivables, deposits and prepayments	20	138,798	107,992
Income tax recoverable		3,932	—
Cash and bank balances	21	426,562	418,671
Total current assets		2,180,923	2,247,020
Current liabilities			
Trade payables	22	468,350	382,637
Bills payable	22	60,000	265
Other payables, accruals and receipts in advance	23	241,078	278,067
Bank borrowings	24	846,400	1,218,400
Income tax payable		24,295	13,226
Total current liabilities		1,640,123	1,892,595
Net current assets		540,800	354,425
Total assets less current liabilities		3,054,331	2,327,886
Non-current liabilities			
Bank borrowings	24	700,156	315,395
Deferred tax liabilities	25	335,718	268,382
Total non-current liabilities		1,035,874	583,777
NET ASSETS		2,018,457	1,744,109

	Notes	2016 RMB'000	2015 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**123,314**	123,314
Reserves	27(a)	**1,895,143**	1,620,795
TOTAL EQUITY		**2,018,457**	1,744,109

On behalf of the directors

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27(c)(i))	Statutory surplus reserve RMB'000 (Note 27(c)(ii))	Properties revaluation reserve RMB'000 (Note 27(c)(iii))	Translation reserve RMB'000 (Note 27(c)(iv))	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	123,314	8,586	79,942	317,880	1,279	914,231	1,445,232
Profit for the year	—	—	—	—	—	229,721	229,721
Other comprehensive income for the year	—	—	—	87,711	(58)	—	87,653
Total comprehensive income for the year	—	—	—	87,711	(58)	229,721	317,374
Dividend approved in respect of the previous year	—	—	—	—	—	(18,497)	(18,497)
Balance at 31 December 2015 and 1 January 2016	123,314	8,586	79,942	405,591	1,221	1,125,455	1,744,109
Profit for the year	**—**	**—**	**—**	**—**	**—**	**269,058**	**269,058**
Other comprehensive income for the year	**—**	**—**	**—**	**23,971**	**(184)**	**—**	**23,787**
Total comprehensive income for the year	**—**	**—**	**—**	**23,971**	**(184)**	**269,058**	**292,845**
Dividend approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**(18,497)**	**(18,497)**
Balance at 31 December 2016	**123,314**	**8,586**	**79,942**	**429,562**	**1,037**	**1,376,016**	**2,018,457**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Profit before income tax	**364,081**	264,893
Adjustments for:		
Depreciation and amortisation	**30,615**	29,637
Interest expenses	**35,917**	52,619
Reversal of impairment loss on trade receivables	**(173)**	(104)
Loss on disposal of property, plant and equipment	**8**	21
Loss on written off of property, plant and equipment	**152**	1,126
Fair value gain on investment properties	**(46,457)**	(19,345)
Fair value gain on transfer of properties held for sales to investment properties	**(155,589)**	(120,256)
Impairment/(reversal of impairment) on inventories	**1,564**	(2,133)
Interest income	**(2,575)**	(1,382)
Operating profit before working capital changes	**227,543**	205,076
Decrease in other payables and accruals	**(36,989)**	(383,927)
(Increase)/decrease in inventories	**(5,834)**	13,894
Increase in properties under development and properties held for sale	**(130,354)**	(10,290)
Increase in trade payables	**85,713**	104,331
Increase/(decrease) in bills payable	**59,735**	(2,076)
(Increase)/decrease in other receivables, deposits and prepayments	**(30,804)**	381,501
Decrease/(increase) in trade receivables	**99,590**	(62,813)
Increase in bills receivable	**(4,164)**	(3,715)
Cash generated from operations	**264,436**	241,981
Income tax paid	**(19,806)**	(2,897)
Net cash generated from operating activities	**244,630**	239,084
Cash flows from investing activities		
Purchase of property, plant and equipment and investment properties	**(146,863)**	(109,934)
Increase in pledged bank balances	**(549)**	(20,595)
Increase in restricted bank deposit	**(12,257)**	(1,592)
Proceeds from disposal of property, plant and equipment	**28**	28
Interest received	**2,575**	1,382
Net cash used in investing activities	**(157,066)**	(130,711)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Repayment of bank borrowings		(1,418,400)	(1,125,200)
Interest paid		(86,610)	(89,928)
Proceeds from new bank borrowings		1,431,161	1,269,995
Dividend paid to owners of the company		(18,497)	(18,497)
Net cash (used in)/generated from financing activities		(92,346)	36,370
Net (decrease)/increase in cash and cash equivalents		(4,782)	144,743
Cash and cash equivalents at beginning of year		394,889	250,155
Effect of foreign exchange rate changes		(133)	(9)
Cash and cash equivalents at end of year	21	389,974	394,889

1. GENERAL

EVOC Intelligent Technology Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is located at EVOC Technology Building, No. 31 Gaoxinzhongsi Avenue, Nanshan District, Shenzhen, the PRC. At 31 December 2016, the directors of the Company consider the ultimate holding company of the Company to be EVOC Hi-Tech Holding Limited, which was incorporated in the PRC.

The Group, comprising the Company and its subsidiaries, is principally engaged in the research, development, manufacture and distribution of Special Computer products, trading of electronic products and accessories, and development of properties in the PRC. The principal activities of the subsidiaries are set out in Note 29 to the consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2016 (continued)

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendment are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

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

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

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 — Financial Instruments

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

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

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

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

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

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

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

Amendments HKFRS 15 — Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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 state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is both the functional currency and presentation currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

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

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

Land and buildings	Over the lease terms of related leasehold land
Leasehold improvements	18–20%
Plant and machinery	9–10%
Furniture, fixtures and equipment	18–20%
Motor vehicles	18–20%

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

(d) Investment property

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

(e) Prepaid land lease payments

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

(f) Leasing

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

The Group as lessor

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

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Research and development costs

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

(h) Financial instruments

(i) Financial assets

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

Loans and receivables

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

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For loans and receivables

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(vi) Derecognition

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

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

(i) Inventories

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

(j) Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to be completed beyond normal operating cycle.

(k) Revenue recognition

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (continued)

(iv) Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(l) Income taxes

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies

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

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employees' benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(o) Impairment of other assets

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

— property, plant and equipment under cost model;

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

— investments in subsidiaries.

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

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

(p) Capitalisation of borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Government grants

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

(r) Provisions and contingent liabilities

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

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

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (continued)

(b) (continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

Classification between investment properties and owner-occupied buildings

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

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

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

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

(b) Key sources of estimation uncertainty

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

Estimated impairment of lease prepayments and construction in progress

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

Estimated impairment loss on trade and other receivables

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

Revaluation of investment properties and land and buildings

In determining the fair values of investment properties and land and buildings, the valuer has based on valuation techniques which involve, inter alia, certain estimates including comparable transactions in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, directors have exercised judgement and are satisfied that the method of valuation is appropriate with reference to the current market condition.

Net realisable value of properties under development and properties held for sale

Management determines the net realisable value of properties under development and properties held for sale by using market valuation report available from independent qualified professional valuer. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

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

(b) Key sources of estimation uncertainty (continued)

PRC Enterprise Income tax

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

PRC land appreciation tax ("LAT")

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

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

6. SEGMENT INFORMATION

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

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

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

— Development of properties

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

Certain comparative figures on the measurement of the segment results have been restated to conform to the current year's presentation.

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2016

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	**893,715**	**247,951**	**1,141,666**
Reportable segment profit	**64,551**	**176,395**	**240,946**
Interest income	**2,270**	**305**	**2,575**
Depreciation and amortisation	**(28,419)**	**(2,196)**	**(30,615)**
Reversal of impairment loss on trade receivables	**173**	**—**	**173**
Impairment loss on inventories	**(1,564)**	**—**	**(1,564)**
Reportable segment assets	**818,567**	**2,570,662**	**3,389,229**
Additions to non-current assets	**59,725**	**96,873**	**156,598**
Reportable segment liabilities	**(281,352)**	**(664,632)**	**(945,984)**

For the year ended 31 December 2015

	Special Computer products and electronic accessories RMB'000	Property development RMB'000	Total RMB'000
External revenue	1,268,682	175,417	1,444,099
Reportable segment profit	120,853	105,857	226,710
Interest income	1,265	117	1,382
Depreciation and amortisation	(27,120)	(2,517)	(29,637)
Reversal of impairment loss on trade receivables	104	—	104
Reversal of impairment loss on inventories	2,133	—	2,133
Reportable segment assets	869,588	2,182,400	3,051,988
Additions to non-current assets	4,044	124,528	128,572
Reportable segment liabilities	(200,703)	(615,060)	(815,763)

6. SEGMENT INFORMATION (CONTINUED)

Notes:

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

	2016 RMB'000	2015 RMB'000
Customer A	**480,270**	626,656
Customer B	**N/A**	186,452

Note: Revenue from Customer B contributed less than 10% of the revenue of Group for the year ended 31 December 2016.

(b) **Reconciliation of reportable segment revenues, results, assets and liabilities**

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**1,141,666**	1,444,099

	2016 RMB'000	2015 RMB'000
Profit before income tax		
Reportable segment profit	**240,946**	226,710
Other income	**116,182**	77,956
Fair value gain on investment properties	**46,274**	16,246
Unallocated corporate expenses	**(3,335)**	(3,341)
Finance costs	**(35,986)**	(52,678)
Profit before income tax	**364,081**	264,893

6. SEGMENT INFORMATION (CONTINUED)

Notes: (continued)

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

	2016 RMB'000	2015 RMB'000
Reportable segment assets		
Reportable segment assets	**3,389,229**	3,051,988
Deferred tax assets	**23,025**	26,420
Property, plant and equipment	**274,599**	472,296
Investment properties	**1,002,967**	665,018
Unallocated corporate assets	**4,634**	4,759
Consolidated total assets	**4,694,454**	4,220,481

	2016 RMB'000	2015 RMB'000
Reportable segment liabilities		
Reportable segment liabilities	**945,984**	815,764
Bank borrowings	**1,370,000**	1,379,000
Deferred tax liabilities	**335,718**	268,382
Tax payables	**24,295**	13,226
Consolidated total liabilities	**2,675,997**	2,476,372

(c) Geographic information

All revenue from external customers and non-current assets other than deferred tax assets are located in the PRC (place of domicile).

The geographical location of customers is based on the location at which the goods were delivered and the services were provided. The geographical location of non-current assets other than deferred tax assets is based on the physical location of the assets.

7. TURNOVER AND OTHER INCOME

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

	2016 RMB'000	2015 RMB'000
Turnover		
Sales of Special Computer products	**378,290**	337,713
Sales of electronic products and accessories	**515,425**	930,969
Sales of properties	**247,951**	175,417
	1,141,666	1,444,099
Other income		
Gross rentals from investment properties	**124,554**	86,550
Less: direct operating expenses (including repairs and maintenance) arising from leasing of investment properties reimbursed from tenants	**(20,593)**	(21,169)
	103,961	65,381
Bank interest income	**2,575**	1,382
Value-added tax ("VAT") concessions (note (a))	**10,149**	21,170
Reversal of impairment loss on trade receivables	**173**	104
Government subsidies (note (b))	**53,773**	45,274
Repairs and maintenance income	**3,915**	2,859
Sub-contracting income	**170**	552
Sundry income	**5,388**	7,678
	180,104	144,400

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

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

8. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank borrowings	**86,610**	89,928
Less: Interest capitalised	**(50,693)**	(37,309)
	35,917	52,619
Bank charges	**69**	59
	35,986	52,678

The capitalisation rate of borrowings is 5.02% (2015: 5.91%) for the year ended 31 December 2016.

9. PROFIT BEFORE INCOME TAX

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

	2016 RMB'000	2015 RMB'000
Auditor's remuneration	**1,690**	1,476
Cost of inventories recognised as an expense (note (a))	**748,695**	1,099,018
Cost of properties recognised as an expense	**189,319**	126,030
Depreciation of property, plant and equipment	**29,599**	28,621
Amortisation of prepaid land lease payments	**1,016**	1,016
Foreign exchange difference, net	**(352)**	193
Loss on disposal of property, plant and equipment	**8**	21
Loss on written off of property, plant and equipment	**152**	1,126
Reversal of impairment loss on trade receivables	**(173)**	(104)
Impairment/(reversal of impairment) on inventories	**1,564**	(2,133)
Minimum lease payments under operating leases	**4,248**	7,727
Research and development costs (note (b))	**64,096**	68,708
Staff costs (including directors' emoluments):		
Wages, salaries, bonus and allowances	**77,413**	69,581
Contributions to retirement benefits schemes	**6,771**	6,686
	84,184	76,267

Notes:

(a) Cost of inventories sold includes staff costs and depreciation of RMB19,491,000 (2015: RMB21,497,000) and RMB5,415,000 (2015: RMB5,742,000) respectively, which are also included in the total amounts disclosed above for each of these types of expenses.

(b) Research and development costs exclude depreciation charge of RMB2,268,000 (2015: RMB2,122,000).

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

The emoluments paid or payable to directors are as follows:

	2016 RMB'000	2015 RMB'000
Fees	67	66
Other emoluments:		
Salaries, allowances and benefits in kind	537	516
Contributions to retirement benefits schemes	45	28
	582	544
	649	610

(a) Independent non-executive directors

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

	2016 RMB'000	2015 RMB'000
Mr. An Jian	—	5
Mr. Ling Chun Kwok	13	30
Mr. Yu Tat Chi, Michael	18	—
Mr. Wen Bing	12	12
Mr. Dong Li Xin	12	12
Mr. Zhang Da Ming	12	7
	67	66

There were no other emoluments payable to the independent non-executive directors during the reporting period (2015: Nil).

Mr Ling Chun Kwok resigned as independent non-executive director with effective from 30 May 2016.

Mr Yu Tat Chi, Michael was appointed as independent non-executive director with effective from 30 May 2016.

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

(b) Executive directors

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2016				
Mr. Chen Zhi Lie	**—**	**330**	**37**	**367**
Mr. Tso Cheng Shun	**—**	**30**	**—**	**30**
Mr. Geng Wen Qiang	**—**	**125**	**2**	**127**
Mr. Zhu Jun	**—**	**52**	**6**	**58**
	—	537	45	582
2015				
Mr. Chen Zhi Lie	—	330	20	350
Mr. Tso Cheng Shun	—	30	—	30
Mr. Zhu Jun	—	156	8	164
	—	516	28	544

(c) Supervisors

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

	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2016			
Ms. Pu Jing	**144**	**—**	**144**
Mr. Zhan Guo Nian	**75**	**11**	**86**
Mr. Zhang Zheng An	**20**	**—**	**20**
Mr. Wu Man Kang	**12**	**—**	**12**
Ms. Guo Jia Wen	**12**	**—**	**12**
	263	**11**	**274**
2015			
Ms. Pu Jing	144	4	148
Mr. Zhan Guo Nian	74	5	79
Mr. Zhang Zheng An	20	4	24
Mr. Wu Man Kang	12	—	12
Ms. Guo Jia Wen	12	—	12
	262	13	275

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

(d) During the reporting period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2015 Nil). There were no arrangements under which any director or supervisor waived or agreed to waive any emoluments in respect of each of the reporting period.

(e) **Five highest paid individuals**

Of the five individuals with the highest emoluments in the Group, one of them was director of the Company in respect of the reporting period (2015: one). The emoluments of the remaining four (2015: four) individuals, during the reporting period were as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,740	1,123
Contributions to retirement benefits schemes	46	10
	1,786	1,133

The emoluments of each of the above highest paid employees were all within the band from HK$ nil to HK$1,000,000 (equivalent to RMB894,510 (2015: RMB837,000)) for the years ended 31 December 2016 and 2015.

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 (2015: Nil).

11. INCOME TAX EXPENSE

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

	2016 RMB'000	2015 RMB'000
Current tax — the PRC		
Enterprise income tax ("EIT")		
Current year	21,078	1,065
Over-provision in respect of prior year	—	(131)
Land appreciation tax ("LAT")		
Current year	5,812	4,885
	26,890	5,819
Deferred taxation (Note 25)		
Origination and reversal of temporary differences, net	68,133	29,353
	68,133	29,353
Income tax expense	95,023	35,172

11. INCOME TAX EXPENSE (CONTINUED)

(a) (continued)

In accordance with the PRC Enterprise Income Tax Law, the PRC EIT is calculated at 25% on the estimated assessable profit for the year. Certain of the Company's subsidiaries established in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax losses brought forward and are entitled to 50% relief on the income tax in the following three years. One of these subsidiaries is entitled to 50% relief on the income tax (2015: exempted from income tax) while others are subject to income tax rate of 25% (2015: 25%) during the reporting period.

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

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

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits during the reporting period. No Hong Kong profits tax has been provided for the year ended 31 December 2016 and 2015 as there was no estimated assessable profit.

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

	2016 RMB'000	2015 RMB'000
Profit before income tax	**364,081**	264,893
Tax at applicable tax rate at 25% (2015: 25%)	**91,021**	66,223
Effect of tax exemption and reduction	**(15,861)**	(34,961)
Tax effect of non-taxable income	**(35)**	(3,559)
Utilisation of tax losses and temporary differences previously not recognised	**(308)**	(1,671)
Tax effect of non-deductible expenses	**825**	554
Tax effect of tax losses and temporary differences not recognised	**13,569**	3,832
LAT	**5,812**	4,885
Over-provision in respect of prior year	**—**	(131)
Total income tax expense	**95,023**	35,172

12. DIVIDENDS

The final dividend for the year ended 31 December 2015 of RMB18,497,000 was approved by shareholders at the annual general meeting on 30 May 2016 and paid on 18 July 2016.

The Board of directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: RMB0.015 per share).

13. EARNINGS PER SHARE

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

	2016	2015
Profit for the year attributable to the owners of the Company for the purpose of earnings per share calculation (RMB'000)	**269,058**	229,721
Weighted average number of domestic and H shares in issue	**1,233,144,000**	1,233,144,000
Basic earnings per share (RMB)	**0.218**	0.186

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.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation:							
As at 1 January 2015	796,291	39,060	30,491	91,017	13,996	72,315	1,043,170
Additions	—	641	150	2,185	370	109,520	112,866
Transfer from construction in progress	4,135	—	—	—	—	(4,135)	—
Transfer to investment properties (note a)	(148,786)	—	—	—	—	(663)	(149,449)
Disposals	—	—	—	(371)	—	—	(371)
Written off	—	—	(3,319)	(5,391)	(19)	—	(8,729)
Revaluation surplus	97,822	—	—	—	—	—	97,822
As at 31 December 2015 and 1 January 2016	749,462	39,701	27,322	87,440	14,347	177,037	1,095,309
Additions	42,154	8,034	12	2,514	489	102,005	155,208
Transfer from construction in progress	4,586	—	—	—	—	(4,586)	—
Transfer from property held for sale	1,207	—	—	—	—	—	1,207
Transfer to investment properties (note a)	(288,993)	—	—	—	—	(2,682)	(291,675)
Disposals	—	(387)	—	(325)	(67)	—	(779)
Written off	—	—	(32)	(901)	—	(15)	(948)
Revaluation surplus	8,187	—	—	—	—	—	8,187
As at 31 December 2016	516,603	47,348	27,302	88,728	14,769	271,759	966,509
Accumulated depreciation:							
As at 1 January 2015	—	32,604	11,847	71,434	12,281	—	128,166
Charge for the year	18,887	1,625	3,275	4,598	236	—	28,621
Written back on disposal	—	—	—	(322)	—	—	(322)
Written back on written off	—	—	(2,878)	(4,708)	(17)	—	(7,603)
Eliminated on revaluation upon transfer (note a)	(1,608)	—	—	—	—	—	(1,608)
Eliminated on revaluation	(17,279)	—	—	—	—	—	(17,279)
As at 31 December 2015 and 1 January 2016	—	34,229	12,244	71,002	12,500	—	129,975
Charge for the year	18,382	3,736	3,105	4,162	214	—	29,599
Written back on disposal	—	(387)	—	(296)	(59)	—	(742)
Written back on written off	—	—	(18)	(779)	—	—	(797)
Eliminated on revaluation upon transfer (note a)	(3,303)	—	—	—	—	—	(3,303)
Eliminated on revaluation	(15,079)	—	—	—	—	—	(15,079)
As at 31 December 2016	—	37,578	15,331	74,089	12,655	—	139,653
Carrying values:							
As at 31 December 2016	516,603	9,770	11,971	14,639	2,114	271,759	826,856
As at 31 December 2015	749,462	5,472	15,078	16,438	1,847	177,037	965,334

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) For the year ended 31 December 2016, certain properties with a total carrying amount of RMB288,993,000 (2015: RMB148,786,000) have ended the self occupation by the Group, and transferred to investment properties.

(b) The fair value of the Group's land and buildings in the PRC at 31 December 2016 and 2015 were with reference to valuation carried out by qualified valuers from CBRE Limited, an independent firm of chartered surveyors.

The valuations were carried out in accordance with HKIS Valuation Standards issued by the HKIS Hong Kong Institute of Surveyors. The revaluation surplus net of applicable deferred taxes was credited to properties revaluation reserve.

Had the revalued land and buildings been measured at historical cost less accumulated depreciation, the carrying values of the Group as at 31 December 2016 would have been RMB284,206,000 (2015: RMB351,787,000).

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

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**749,462**	796,291
Depreciation charge	**(18,382)**	(18,887)
Transfer from construction in progress	**4,586**	4,135
Transfer from property held for sale	**1,207**	—
Transfer to investment properties	**(288,993)**	(148,786)
Additions	**42,154**	—
Revaluation gains included in other comprehensive income	**26,569**	116,709
At end of year	**516,603**	749,462

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

For the Group's land and buildings in the PRC as at 31 December 2016, the valuation of the leasehold land and buildings amounted to RMB149,983,000, RMB295,808,000 and RMB28,312,000 and RMB42,500,000 was determined using depreciated replacement cost approach, a weighted of income capitalisation approach and income approach — discounted cash flow approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

For the Group's land and buildings in the PRC as at 31 December 2015, the valuation of the leasehold land and buildings amounted to RMB152,914,000, RMB568,128,000 and RMB28,420,000 was determined using depreciated replacement cost approach, a weighted of income capitalisation approach and income approach — discounted cash flow approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

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

Description	Fair value (RMB'000) 2016	Fair value (RMB'000) 2015	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs 2016	Range of unobservable inputs 2015	Relationship of unobservable inputs to fair value
Leasehold land and buildings in the PRC	**149,983**	152,914	Depreciated replacement cost approach	Estimated cost of construction per square meter ("sq.m."), taking into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use.	**RMB6,000/sq.m.**	RMB6,000/sq.m.	Higher the estimated cost of construction per sq.m. will result in correspondingly higher fair value
				Age adjustment on the cost of buildings, taking into account of remaining useful life of buildings.	**18%**	16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value
Leasehold land and buildings in the PRC	**295,808**	568,128	Income capitalisation approach	Capitalisation rate, taking into accounting of relevant sales transactions and interpretation of prevailing market expectation	**5.75%**	5.75%	The higher the capitalisation rate, the lower the fair value
			Income approach — discounted cash flow approach	Average market rent per square meter ("sq.m."), taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB27/sq.m. to RMB57/sq.m.**	RMB27/sq.m. to RMB55/sq.m.	The higher the average market rent, the higher the fair value
				Discount rate, taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**9%**	9%	The higher the discount rate, the lower the fair value
				Average market rental growth rate, taking into account annual market rental income growth rate of comparable properties	**6%**	5%	The higher the rental growth rate, the higher the fair value

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(c) (continued)

Description	Fair value (RMB'000) 2016	2015	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs 2016	2015	Relationship of unobservable inputs to fair value
Leasehold land and buildings in the PRC	**28,312**	28,420	Income approach — discounted cash flow approach	Average market rent per square meter ("sq.m."), taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB45/sq.m. to RMB69/sq.m.**	RMB69/sq.m.	The higher the average market rent, the higher the fair value
				Discount rate, taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**8.50%**	8.75%	The higher the discount rate, the lower the fair value
				Average market rental growth rate, taking into account annual market rental income growth rate of comparable properties	**5%**	5%	The higher the rental growth rate, the higher the fair value
			Direct comparison approach	Price per square meter ("sq.m."), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	**RMB13,500/ sq.m.**	RMB15,800/ sq.m.	Higher the price per sq.m. will result in correspondingly higher fair value
Leasehold land and buildings in the PRC	**42,500**	N/A	Direct comparison approach	Price per square meter ("sq.m."), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	**RMB8,000/sq.m.**	N/A	Higher the price per sq.m. will result in correspondingly higher fair value

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

As at 31 December 2016, the Group had pledged the land and buildings with total carrying values of RMB458,203,000 (2015: RMB721,042,000) to secure banking facilities granted to the Group.

(d) Land and buildings of the Group with carrying amount of RMB458,203,000 (2015: RMB721,042,000) were not freely transferable.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

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

	Land and Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
At valuation	**516,603**	**—**	**—**	**—**	**—**	**—**	**516,603**
At cost	**—**	**47,348**	**27,302**	**88,728**	**14,769**	**271,759**	**449,906**
As at 31 December 2016	**516,603**	**47,348**	**27,302**	**88,728**	**14,769**	**271,759**	**966,509**
At valuation	749,462	—	—	—	—	—	749,462
At cost	—	39,701	27,322	87,440	14,347	177,037	345,847
As at 31 December 2015	749,462	39,701	27,322	87,440	14,347	177,037	1,095,309

15. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Carrying amount, at fair values		
At beginning of year	**936,138**	530,439
Transfer from property, plant and equipment (Note 14(a))	**288,993**	148,786
Transfer from construction in progress	**2,682**	663
Transfer from property held for sale (note a)	**344,827**	236,905
Increase in fair value	**46,457**	19,345
At end of year	**1,619,097**	936,138

Notes:

(a) During the year ended 31 December 2016, the Group transferred certain properties held for sale with carrying value of RMB189,238,000 (2015: RMB116,649,000) to investment properties and recognized fair value gain of RMB155,589,000 (2015: RMB120,256,000) in profit or loss at the date of transfer.

(b) The fair value of the Group's Investment properties in the PRC at 31 December 2016 and 2015 were with reference to valuation carried out by qualified valuers from CBRE Limited, an independent firm of chartered surveyors.

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

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

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

For the Group's investment properties in the PRC as at 31 December 2016, the valuation of RMB130,668,000, RMB31,400,000, RMB840,899,000, RMB610,990,000 and RMB5,140,000 was determined using depreciated replacement cost approach, direct comparison approach, a weighted of income capitalisation approach and income approach — discounted cash flow approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

For the Group's investment properties in the PRC as at 31 December 2015, the valuation of RMB133,836,000, RMB30,000,000, RMB501,181,000 and RMB271,121,000 was determined using depreciated replacement cost approach, direct comparison approach, a weighted of income capitalisation approach and income approach — discounted cash flow approach and a weighted of direct comparison approach and income approach — discounted cash flow approach respectively.

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

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

For the investment properties used the income capitalisation approach, the fair value is based on rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The key inputs are capitalization rate and monthly rent using direct market comparables.

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

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

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

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(c) (continued)

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

Description	Fair value (RMB'000) 2016	Fair value (RMB'000) 2015	Valuation technique(s)	Significant unobservable inputs	Range of unobservable input 2016	Range of unobservable input 2015	Relationship of unobservable inputs to fair value
Investment properties in the PRC	**31,400**	30,000	Direct comparison approach	Price per square meter ("sq.m."), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	**RMB27,300/ sq.m.**	RMB26,000/ sq.m.	Higher the price per sq.m. will result in correspondingly higher fair value
Investment properties in the PRC	**130,668**	133,836	Depreciated replacement cost approach	Estimated cost of construction per square meter ("sq.m."), taking into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use.	**RMB6,000/sq.m.**	RMB6,000/sq.m.	Higher the estimated cost of construction per sq.m. will result in correspondingly higher fair value
				Age adjustment on the cost of buildings, taking in to account of remaining useful life of buildings.	**18%**	16%	Higher the rate of age adjustment on the cost of buildings will result in correspondingly lower fair value
Investment properties in the PRC	**840,899**	501,181	Income capitalisation approach	Capitalisation rate, taking into accounting of relevant sales transactions and interpretation of prevailing market expectation	**5.75%**	5.75%	The higher the capitalisation rate, the lower the fair value
			Income approach — Discounted cash flow method	Average market rent per square meter ("sq.m."), taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB27/sq.m. to RMB57/sq.m.**	RMB27/sq.m. to RMB55/sq.m.	The higher the average market rent, the higher the fair value
				Discount rate, taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**9%**	9%	The higher the discount rate, the lower the fair value
				Average market rent growth rate, taking into account annual market rental income growth rate of comparable properties	**6%**	5%	The higher the average market growth rate, the higher the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(c) (continued)

Description	Fair value (RMB'000) 2016	Fair value (RMB'000) 2015	Valuation technique(s)	Significant unobservable inputs	Range of unobservable input 2016	Range of unobservable input 2015	Relationship of unobservable inputs to fair value
Investment properties in the PRC	**610,990**	271,121	Income approach — discounted cash flow approach	Average market rent per square meter ("sq.m."), taking into account of direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	**RMB45/sq.m. to RMB69/sq.m.**	RMB45/sq.m. to RMB69/sq.m.	The higher the average market rent, the higher the fair value
				Discount rate, taking into account of market capitalisation of rental income potential, nature of the property, prevailing market condition with average rental growth rate of comparable properties	**8.50%**	8.50% to 8.75%	The higher the discount rate, the lower the fair value
				Average market rent growth rate,taking into account annual market rental income growth rate of comparable properties	**5%**	5%	The higher the average market growth rate, the higher the fair value
			Direct comparison approach	Price per square meter ("sq.m."), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	**Office premises: RMB7,300/sq.m.** **Retail premises: RMB7,400/sq.m. to RMB13,500/ sq.m.**	Office premises: RMB7,500/sq.m. Retail premises: RMB8,700/sq.m. to RMB15,800/ sq.m.	Higher the price per sq.m. will result in correspondingly higher fair value
Investment properties in the PRC	**5,140**	N/A	Direct comparison approach	Price per square meter ("sq.m."), using market direct comparables and taking into account of time of transaction, location and other individual factors such as size of property, level of property, age of property, site view and building quality, etc.	**Office premises: RMB8,000/sq.m.**	N/A	Higher the price per sq.m. will result in correspondingly higher fair value

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

(d) All investment properties held by the Group were located in the PRC, held under medium term leases, and are pledged to secure general banking facilities granted to the Group. As at 31 December 2016, the Group had pledged the investment properties with total carrying values of RMB971,567,000 (2015: RMB635,017,000) respectively, to secure banking facilities granted to the Group.

(e) The investment properties of the Group with carrying value of RMB971,567,000 (2015: RMB635,017,000) are not freely transferable.

16. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Cost:		
At beginning and end of year	**50,813**	50,813
Accumulated amortisation and impairment:		
At beginning of year	**4,228**	3,212
Charge for the year	**1,016**	1,016
At end of year	**5,244**	4,228
Carrying values at end of year (note (a))	**45,569**	46,585
Less: Current portion included under current assets	**(1,016)**	(1,016)
Non-current portion	**44,553**	45,569

Notes:

(a) **Location**

	2016 RMB'000	2015 RMB'000
Hangzhou, Zhejiang, the PRC	**7,777**	7,947
Shenzhen, Guangdong, the PRC	**4,635**	4,760
Nantong, Jiangsu, the PRC	**33,157**	33,878

All the lands were acquired at a concessionary discount on land premium and are not freely transferable unless, among others, additional premium, if any, is paid and government approval is obtained.

17. INVENTORIES

	2016	2015
	RMB'000	RMB'000
Raw materials	**25,713**	21,409
Work-in-progress	**5,513**	6,184
Finished goods	**5,978**	3,777
	37,204	31,370
Less: Allowance for inventories	**(6,025)**	(4,461)
	31,179	26,909

The cost of inventories recognised as an expense during the reporting period was RMB748,695,000 (2015: RMB1,099,018,000), of which RMB1,564,000 (2015: RMB2,133,000 was in respect of net reversal of write-off of inventories) was in respect of write-off of inventories made in prior years. The reversal arose due to the reprocessing of inventories during the reporting period.

18. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

All properties under development and properties held for sale are located in the PRC.

As at 31 December 2016, the properties under development and properties held for sale with carrying amount of RMB914,085,000 and RMB183,675,000 (2015: RMB568,746,000 and RMB635,575,000) respectively were pledged as collateral for the Group's borrowings (Note 24).

19. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables (note (a))	**6,465**	106,055
Allowance for impairment losses (note (c))	**—**	(173)
Trade receivables, net	**6,465**	105,882
Bills receivable (note (d))	**30,888**	26,724
Total	**37,353**	132,606

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.

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
0 to 90 days	4,642	14,283
91 to 180 days	175	7,065
181 to 365 days	451	84,322
Over 1 year	1,197	385
Gross trade receivables	6,465	106,055

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	3,780	6,372
Within 90 days past due	1,850	2,218
91 to 180 days past due	71	97,112
181 to 365 days past due	741	—
Over 365 days past due	23	180
Amount past due but not impaired	2,685	99,510
	6,465	105,882

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

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

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
At beginning of year	173	490
Impairment loss reversed, net	(173)	(104)
Bad debts written off	—	(213)
At end of year	—	173

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

(d) Bills receivable are with maturity of less than 6 months. At the end of reporting period, bills receivable of the Group and amounting to approximately RMB29,453,000 (2015: RMB9,998,000) have been endorsed to suppliers. The carrying values of bills endorsed to suppliers continue to be recognised as assets in the financial statements as the Group is still exposed to credit risk on these receivables at the end of the reporting period. Accordingly, the liabilities associated with these bills, mainly payable, have not been derecognised in the financial statements.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Other receivables (Note)	93,281	4,705
Deposits	7,156	5,309
Advance to suppliers	238	133
Prepayments	38,123	97,845
	138,798	107,992

Note: Included in other receivables, RMB84,333,000 (2015: Nil) was due from a company with long standing business relationship with the Group, which is unsecured, interest-free and repayable on demand. The amount was repaid in full on 3 January 2017.

21. CASH AND BANK BALANCES

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**412,169**	416,535
Restricted bank deposits	**14,393**	2,136
	426,562	418,671
Less:		
Pledged bank balances (note (a))	**(22,195)**	(21,646)
Restricted bank deposits (note (b))	**(14,393)**	(2,136)
	(36,588)	(23,782)
Cash and cash equivalents	**389,974**	394,889

Notes:

(a) Pledged bank balances represent deposits placed in banks as a reserve for any compensation of the damages during the construction.

(b) Restricted bank deposits represent the deposits pledged to banks to secure bills payables and guarantee deposit for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties.

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

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

22. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**468,350**	382,637
Bills payable	**60,000**	265
	528,350	382,902

The following is the ageing analysis of trade payables:

	2016 RMB'000	2015 RMB'000
0 to 90 days	**434,539**	366,930
91 to 180 days	**11,399**	2,019
181 to 365 days	**11,194**	3,601
Over 1 year	**11,218**	10,087
	468,350	382,637

At the end of reporting period, the Group has endorsed certain bills receivable with recourse to suppliers and the liabilities relating to these bills receivable (Note 19(d)) continue to be recognised as trade payables.

23. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	2016 RMB'000	2015 RMB'000
Construction and other payables	**114,864**	110,556
Receipts in advance from pre-sales of properties	**18,949**	62,424
Receipts in advance	**24,570**	21,085
Government grants (note)	**71,071**	73,262
Accruals	**11,624**	10,740
	241,078	278,067

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

24. BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Secured bank borrowings	**1,546,556**	1,533,795

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

	2016 RMB'000	2015 RMB'000
On demand or within one year	**846,400**	1,218,400
After one year but within two years	**598,400**	226,400
After two years but within five years	**101,756**	88,995
	700,156	315,395
	1,546,556	1,533,795

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

	2016 Effective interest rate %	2016 RMB'000	2015 Effective interest rate %	2015 RMB'000
Fixed rate borrowings				
Bank borrowings	**4.35%-5.85%**	**790,000**	4.17%-6.44%	490,000
Floating rate borrowings				
Bank borrowings	**4.52%-6.15%**	**756,556**	4.03%-6.75%	1,043,795

At 31 December 2016, the secured bank borrowings and general banking facilities with carrying amount of RMB1,546,556,000 (2015: RMB1,533,795,000) are secured by way of charge over certain assets, including land and buildings, investment properties, leasehold land under operating leases and construction in progress, together with the personal guarantees given by an executive director of the Company and related parties, including a spouse of an executive director and ultimate holding company.

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

At the end of reporting period, the Group had available undrawn committed borrowing facilities of RMB1,480,000,000 (2015: RMB1,635,205,000) in respect of which all conditions precedent had been met.

25. DEFERRED TAXATION

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

	Capitalised interests on borrowings	Unrealised profit on inter company transactions	Revaluation of properties	Allowance for impairment losses	Temporary difference on recognition of sales and relevant costs	Temporary difference on recognition of expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	11,478	(1,624)	198,402	(15,070)	(1,130)	(8,445)	183,611
(Credited)/charged to profit or loss	(6,362)	898	35,866	402	(2,601)	1,150	29,353
Charged to other comprehensive income	—	—	28,998	—	—	—	28,998
At 31 December 2015 and 1 January 2016	5,116	(726)	263,266	(14,668)	(3,731)	(7,295)	241,962
Charged/(credited) to profit or loss	**14,254**	**(120)**	**50,484**	**(156)**	**3,671**	**—**	**68,133**
Charged to other comprehensive income	**—**	**—**	**2,598**	**—**	**—**	**—**	**2,598**
At 31 December 2016	**19,370**	**(846)**	**316,348**	**(14,824)**	**(60)**	**(7,295)**	**312,693**

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**(23,025)**	(26,420)
Deferred tax liabilities	**335,718**	268,382
	312,693	241,962

The Group has estimated unused tax losses arising in the PRC of RMB61,577,000 (2015: RMB55,503,000) that can be carried forward for five years and estimated unused tax losses arising in Hong Kong of RMB Nil (2015: RMB Nil) that can be carried forward indefinitely for offsetting against its future taxable profits.

25. DEFERRED TAXATION (CONTINUED)

(a) (continued)

The unused tax losses arising in the PRC will expire as follows:

	2016 RMB'000	2015 RMB'000
Year of expiry		
2016	–	925
2017	4,089	4,222
2018	5,757	5,757
2019	37,519	37,712
2020	6,522	6,887
2021	7,690	—
	61,577	55,503

No deferred tax assets have been recognised for the unused tax losses as the availability of future taxable profits to utilise the temporary differences is not probable.

26. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
At 1 January 2015, 31 December 2015 and 2016	1,233,144,000	123,314
Of which:		
Domestic Shares of RMB0.1 each	924,792,000	92,479
Overseas listed H Shares of RMB0.1 each	308,352,000	30,835
	1,233,144,000	123,314

Domestic shares and overseas listed H shares are both ordinary shares of the Company. However, overseas listed H shares may only be subscribed for by, and traded in Hong Kong dollars between legal and natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC whereas domestic shares may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

27. 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 48.

(b) Company

	Share premium RMB'000 (note (c)(i))	Statutory surplus reserve RMB'000 (note (c)(ii))	Properties revaluation reserve RMB'000 (note (c)(iii))	Translation reserve RMB'000 (note (c)(iv))	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	8,586	69,260	299,395	1,337	958,589	1,337,167
Total comprehensive income for the year, net of tax	–	–	84,856	(222)	172,230	256,864
Dividend approved in respect of the previous year	–	–	–	–	(18,497)	(18,497)
At 31 December 2015 and 1 January 2016	8,586	69,260	384,251	1,115	1,112,322	1,575,534
Total comprehensive income for the year, net of tax	**–**	**–**	**26,243**	**(292)**	**138,376**	**164,327**
Dividend approved in respect of the previous year	**–**	**–**	**–**	**–**	**(18,497)**	**(18,497)**
At 31 December 2016	**8,586**	**69,260**	**410,494**	**823**	**1,232,201**	**1,721,364**

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares issued at a price in excess of their par value per share.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law, the Company and its PRC subsidiaries were required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(iii) Properties revaluation reserve

This has been set up and is dealt with in accordance with the accounting policy in Note 4(c).

(iv) Translation reserve

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

28. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**525,016**	757,948
Investment properties		**1,002,967**	665,018
Prepaid land lease payments		**4,509**	4,635
Investments in subsidiaries		**1,078,743**	1,078,743
Deferred tax assets		**785**	611
Total non-current assets		**2,612,020**	2,506,955
Current assets			
Inventories		**35,006**	30,155
Prepaid land lease payments		**126**	126
Trade receivables		**5,281**	100,621
Bills receivable		**29,452**	26,708
Other receivables, deposits and prepayments		**92,055**	45,655
Amounts due from subsidiaries		**832,336**	695,207
Cash and bank balances		**364,814**	299,495
Total current assets		**1,359,070**	1,197,967
Current liabilities			
Trade payables		**60,785**	40,604
Bills payable		**60,000**	265
Other payables, accruals and receipts in advance		**144,337**	147,991
Amounts due to subsidiaries		**296,008**	248,130
Bank borrowings		**800,000**	1,199,000
Income tax payable		**10,781**	15,765
Total current liabilities		**1,371,911**	1,651,755
Net current liabilities		**(12,841)**	(453,788)
Total assets less current liabilities		**2,599,179**	2,053,167

28. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank borrowings		**570,000**	180,000
Deferred tax liabilities		**184,501**	174,319
Total non-current liabilities		**754,501**	354,319
NET ASSETS		**1,844,678**	1,698,848
CAPITAL AND RESERVES			
Share capital	26	**123,314**	123,314
Reserves	27(b)	**1,721,364**	1,575,534
TOTAL EQUITY		**1,844,678**	1,698,848

On behalf of the directors

Chen Zhi Lie
Chairman

Tso Cheng Shun
Director

29. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries, the business structure of which were corporations, as at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up registered capital	Attributable equity interests held by the Company directly	indirectly	Principal activities
深圳市研祥軟件技術有限公司 Shenzhen EVOC Software Technology Company Limited*	PRC	RMB6,000,000	100%	—	Investment holding
深圳市研祥新特科技有限公司 Shenzhen EVOC Xinteer Technology Company Limited*	PRC	RMB10,000,000	—	100%	Trading of electronic accessories
上海市研祥智能科技有限公司 Shanghai EVOC Intelligent Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development, manufacture and distribution of Special Computer products
北京市研祥興業國際智能科技有限公司 Beijing EVOC Xingye International Technology Company Limited*	PRC	RMB30,000,000	100%	—	Research, development and distribution of Special Computer products
無錫深港國際服務外包產業發展有限公司 Wuxi SHIOC International Outsourcing Industry Development Company Limited*	PRC	RMB306,122,400	100%	—	Property development
昆山研祥智能科技有限公司 Kunshan EVOC Intelligent Technology Company Limited*	PRC	RMB100,000,000	90%	10%	Property development
浙江研祥智能科技有限公司 Zhejiang EVOC Intelligent Technology Company Limited*	PRC	RMB70,000,000	90%	10%	Property development
江蘇研祥智能科技有限公司 Jiangsu EVOC Intelligent Technology Company Limited*	PRC	RMB100,000,000	90%	10%	Property development
南通研祥智能科技有限公司 Nantong EVOC Intelligent Technology Company Limited*	PRC	RMB50,000,000	90%	10%	Property development
深圳市研祥特種計算機工業有限公司 Shenzhen EVOC Special Computer Industry Company Limited*	PRC	RMB5,000,000	51%	49%	Research, development and distribution of Special Computer products
廣州市研祥智能科技有限公司 Guangzhou EVOC Intelligent Technology Company Limited*	PRC	RMB5,000,000	100%	—	Research, development and distribution of Special Computer products
深圳市研祥通軟件有限公司 Shenzhen EVOC STONE Software Company Limited*	PRC	RMB10,000,000	100%	—	Research, development, manufacture and distribution of Special Computer software products
深圳市特種計算機軟件有限公司 Shenzhen Special Computer Software Company Limited*	PRC	RMB3,000,000	100%	—	Research, development, manufacture and distribution of Special Computer software products
香港研祥國際科技有限公司 Hong Kong EVOC International Technology Company Limited*	Hong Kong	HK$100,000	100%	—	Trading of electronic accessories

* *For identification purpose only.*

29. INTERESTS IN SUBSIDIARIES (CONTINUED)

All subsidiaries established in the PRC are companies incorporated with limited liability.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, would have a comparatively significant impact on the results, assets, or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

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

30. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years (2015: one to five years).

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

	2016 **RMB'000**	2015 RMB'000
Within one year	**3,865**	4,414
More than one year but no later than five years	**2,092**	688
	5,957	5,102

As lessor

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

	2016 **RMB'000**	2015 RMB'000
Within one year	**140,875**	76,884
More than one year but no later than five years	**114,350**	100,798
Over five years	**6,046**	1,180
	261,271	178,862

31. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Contracted but not provided for:		
— Construction of buildings and properties under development	**456,020**	394,918

32. RELATED PARTY TRANSACTIONS

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:

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

(b) Rental income of RMB428,000 (2015: RMB594,000) was received from related companies controlled by an executive director of the Company. The rental was calculated with reference to market rate.

(c) Rental expense of RMB2,083,000 (2015: RMB1,702,000) was paid to a related company controlled by the ultimate holding company. The rental was calculated with reference to market rate.

(d) During the year, the Group made advances to Shenzhen Gaozhike Technology Company Limited (深圳市高智科科技有限公司), a company controlled by Mr. Wen Bing, an independent non-executive director of the Group. The advances are unsecured, interest free and repayable on demand. The maximum advance outstanding during the year ended 31 December 2016 was RMB76,020,000 (2015: Nil). There was no outstanding balance as at 31 December 2016 (2015: Nil) and no provision has been made against the advances.

(e) Compensation of key management personnel

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

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**1,441**	1,435
Contributions to retirement benefits schemes	**76**	63
	1,517	1,498

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

	2016 No. of Individuals	2015 No. of individuals
Nil to HK$1,000,000	**16**	16

33. CAPITAL RISK MANAGEMENT

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

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

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. For the purpose the Group defines net debts as total debt (which includes bank borrowings, trade payables, bills payables, other payables, accruals and receipts in advance), less cash and cash equivalents. Equity comprises share capital, reserves and non-controlling interests, less unaccrued proposed dividends.

The gearing ratio at the end of reporting period was as follows:

	2016 **RMB'000**	2015 RMB'000
Debt	**2,315,984**	2,194,764
Cash and bank balances	**(426,562)**	(418,671)
Net debt	**1,889,422**	1,776,093
Equity	**2,018,457**	1,744,109
Net debt to equity ratio	**94%**	102%

34. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

34. 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 end of reporting period, the Group has a certain concentration of credit risk as nil and 2.8% (2015: 67.0% and 67.0%) of the total trade and other receivables was due from the Group's largest and five largest customers respectively.

The Group does not provide any guarantees which would expose the Group 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 19.

(b) Liquidity risk

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

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2016					
Bank borrowings	**1,546,556**	**1,640,413**	**903,779**	**626,501**	**110,133**
Trade payables	**468,350**	**468,350**	**468,350**	**—**	**—**
Bills payable	**60,000**	**60,000**	**60,000**	**—**	**—**
Other payables and accruals	**241,078**	**241,078**	**241,078**	**—**	**—**
	2,315,984	**2,409,841**	**1,673,207**	**626,501**	**110,133**
2015					
Bank borrowings	1,533,795	1,610,762	1,250,790	189,684	170,288
Trade payables	382,637	382,637	382,637	—	—
Bills payable	265	265	265	—	—
Other payables and accruals	278,067	278,067	278,067	—	—
	2,194,764	2,271,731	1,911,759	189,684	170,288

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

It is estimated that as at 31 December 2016, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year, retained profits by RMB2,900,000 (2015: RMB5,800,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2015.

(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 2016 and 2015.

35. 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 2016 and 2015 may be categorised as follows:

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**472,863**	556,114
Financial liabilities		
Financial liabilities measured at amortised cost	**2,207,770**	2,032,623

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

PARTICULARS OF PROPERTIES

Name and location of property	Location	Purpose	Approximate floor area (square metres)	Contract term	Interest attributable to Group (%)
Major properties completed					
1 EVOC Building No 31, Gaoxinzhong Si Road, Nanshan District, Shenzhen	Shenzhen	R&D house and parking lot	61,306	2053	100
2 Tianxiang Building Unit Nos. 10B1 and 10B2, Level 10, Tianxiang Building, Tianan Cyber Park, Chegongmiao, Futian District, Shenzhen	Shenzhen	Plant	1,152	2038	100
3 Guangming High Profile Office Park, Guangming Hitech Park, Boan District, Shenzhen	Shenzhen	R&D house, plant and supporting houses, parking lot	245,482	2058	100
4 Wuxi SHIOC International Outsourcing Base Section A1 SHIOC International Section A1, Xishan District, Wuxi City, Jiangsu Province	Jiangsu	Commercial, office and apartment, parking lot	177,610	2044	100

Name and location of property	Location	Purpose	Approximate floor area (square metres)	Contract term	Interest attributable to Group (%)
Major properties in progress					
1 Nantong EVOC Intelligence Valley The development block located at East of Dasheng Road, West of Zilang College, Gangzha District, Nantong City, Jiangsu Province	Nantong	Industrial	234,465	2063	100
2 EVOC City Plaza in Hangzhou A parcel of development land located at the Northwest Corner of Cross of Jianghong Road and Binkang Road, Bin Jiang District, Hangzhou City, Zhejiang Province	Zhejiang	Industrial	65,510	2062	100
3 EVOC International Finance Center EVOC International Finance Center, Huaqiao Town, Kunshan City, Jiangsu Province	Jiangsu	Commercial and office	162,206	2052	100
4 Kunshan Dianshan Lake Project Hemashiwan Community, Dianshanhu Town, Kunshan City, Jiangsu Province	Kunshan	Commercial, business and residential	220,101	Commercial: 2053 Residential: 2083	100
5 Wuxi SHIOC International Outsourcing Base Section A2 SHIOC International Section A2, Xishan District, Wuxi City, Jiangsu Province	Jiangsu	Commercial	140,011	2044	100

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

Financial year		Year ended 31 December 2016	2015	2014	2013	2012
Revenue	RMB'000	**1,141,666**	1,444,099	2,312,702	1,814,780	1,161,761
Gross Profit	RMB'000	**203,652**	219,051	239,975	279,797	190,796
Gross Margin	%	**17.84**	15.17	10.38	15.42	16.42
Profit for the year	RMB'000	**269,058**	229,721	119,596	48,404	94,698
Net Margin	%	**23.57**	15.91	5.17	2.67	8.15
Basic Earnings Per Share (Note)	RMB	**0.218**	0.186	0.097	0.040	0.076
Net cash generated from/ (used in) Operations	RMB'000	**244,630**	239,084	(68,010)	(249,730)	(14,590)
Trade Receivables Turnover	Days	**12**	33	10	20	79
Dividend per share	RMB	**–**	0.015	0.015	0.015	0.01

FINANCIAL POSITION

Financial year		Year ended 31 December 2016	2015	2014	2013	2012
Total Assets	RMB'000	**4,694,454**	4,220,481	3,997,007	3,854,618	3,792,018
Total Liabilities	RMB'000	**2,675,997**	2,476,372	2,551,775	2,677,736	2,364,049
Total Time Deposits and Cash and Cash Balances	RMB'000	**426,562**	418,671	251,750	804,102	1,550,317
Shareholders' Funds	RMB'000	**2,018,457**	1,744,109	1,455,232	1,176,882	1,427,969
Net Assets per Share	RMB'	**1.64**	1.414	1.172	0.954	1.158

Note: The calculation of basic earnings per share amounts is based on the profit attributable to owners of the Company for the year of RMB269,058,000 (2015: RMB229,721,000) and the 1,233,144,000 (2015: 1,233,144,000) ordinary shares in issue during the year.