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The origin of the Group’s operation can be traced back to 1991 when the Group’s chairman, Mr. Wong co-founded Wide Plus in which Mr. Wong was interested as to 50% of its issued share capital and the remaining interest was owned by an Independent Third Party. Prior to the establishment of the Wide Plus, Mr. Wong has been working in the horological instrument industry for over 28 years. Wide Plus started its business in the manufacturing of timing instrument, quartz watch movements and related watch components, the areas in which Mr. Wong and other senior management had accumulated years of experience prior to the forming of the Wide Plus.

In July 1991, Fuzhou Shanglun was established by Wide Plus Investments in the PRC to engage in the design, development and manufacture of industrial automation instruments including electronic display and control instruments and its associated control system and software. In September 1991, Wide Plus Investments entered into a joint venture with Newtowner Development and other Independent Third Party to establish Fujian Electronic, which was engaged in the manufacture of consumer horological instruments. As Mr. Wong consolidated his control over Fujian Electronic and Fuzhou Shanglun, the business of Fuzhou Shanglun and Fujian Electronics were subsequently acquired by Wide Plus, a company which was then wholly-owned by Mr. Wong and his wife. Fuzhou Shanglun was acquired in June 2000 at a nominal consideration of HK\$1 which was determined with reference to its loss at the relevant time. The entire shareholdings of the joint venture parties in Fujian Electronic were also transferred to Wide Plus in March 2004 at a cash consideration of RMB300,000, of which it was determined with reference to the joint venture parties’ respective contributions to the equity capital of Fujian Electronic with agreed exchange rate of Renminbi to HK dollar adopted at the relevant time.

Since early 2000’s, industrial automation instruments and horological instruments have been the main products of the Group. With over ten years of industrious endeavours, the Group has developed and focused on the manufacturing of industrial automation instrument and horological instrument products including all-plastic pointer type quartz watch movements which have successfully relieved the PRC’s reliance on Japanese importers for the supply of similar products in the past.

With the establishment of the Group’s own production plant through Fujian Wide Plus in the Fuzhou Economic and Technological Development Zone (福州經濟技術開發區) in the PRC in 2003, the size and production scale of the Group have gradually been expanded.

Fujian Wide Plus was established in the PRC in January 2003 by Wide Plus. Fujian Wide Plus has been engaging in the business of the middle to high-end segments of the industrial automation instrument and horological instrument production and sale.

In 2004, the Group has become one of the PRC’s leading manufacturers of quartz watch movements with export destinations spanning the PRC, Hong Kong, Taiwan, India, Japan, Europe and the United States.

The Group has throughout the years begun the production of automated temperature, flow and indicating control instruments and the provision of relevant system design and software services.

The Group has become one of the PRC’s leading manufacturers of high precision industrial automation instrument and technology products since 2006. The Group’s instrument products are used in different industries including aerospace, oil and gas, petrochemical, power generation, mining and metallurgy, iron and steel, automotive, food and beverage, pharmaceutical, papermaking and machinery.

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The Group’s products were used in the fuel injection system in the launching of spacecrafts. In June 2004, the Chinese Jiuquan Satellite Launch Center issued a Certificate of Commendation to the Group in recognition of the stability and reliability of WP-series automated instruments which were used in the launching of “Shenzhou” Spacecrafts from 1999 to 2003.

In August 2009, the Group received a user certificate in recognition of the Group’s after sale service and technical support, also the reliability of WP-series automated instruments in relation to the launchings of “Shenzhou No.1” to “Shenzhou No.7” spacecrafts, including the recent personnel carrier spacecraft “Shenzhou No.7” launching mission.

Since the commencement of the Track Record Period, the Group underwent the Reorganisation and further reorganisation process as described in the sub-section headed “Reorganisation” and “Further Reorganisation and Investments by Standard Bank Plc and Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited” below.

### REORGANISATION

The Group has undergone the Reorganisation [●]. Pursuant to the Reorganisation, the following steps were carried out:

Pursuant to a conditional share subscription agreement in March 2007 entered into between Mr. Wong, Mr. Wong Sun Hoi, Mr. Ng Hiu King, Mr. Pang Chang Chi, Ms. He Yuzhu and Mr. Lin Hongxi, the parties thereto have conditionally agreed to subscribe shares in Wide Sincere Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability with respective shareholding of 56.02%, 9.24%, 6.35%, 5.39%, 17% and 6%.

In June 2007, pursuant to a conditional share transfer agreement entered into between Mr. Pang Chang Chi and Allied Basic Limited, Mr. Pang Chang Chi had agreed to transfer his entire interest in Wide Sincere Enterprises Limited to Allied Basic Limited which was beneficially owned by Ms. He Yuzhu.

In July 2007, Mr. Wong, Mr. Wong Sun Hoi, Mr. Ng Hiu King and Mr. Pang Chang Chi transferred their respective interests as to 72.75%, 12%, 8.25% and 7% in Wide Plus to Wide Sincere Enterprises Limited which was owned by Mr. Wong, Mr. Wong Sun Hoi, Mr. Ng Hiu King, Allied Basic Limited and Sunny Zone Limited, of which Sunny Zone Limited was beneficially owned by Mr. Lin Hongxi.

In September 2007, Mr. Lin Hongxi transferred his entire interest in Sunny Zone Limited to Silware Investments Limited, which is beneficially owned by Ms. Lam Yin Fong at the consideration of HK\$67,000,000 after arm’s length negotiation. In November 2007, Ms. He Yuzhu transferred part of her interest in Wide Sincere Enterprises Limited, being 6.5% in Wide Sincere Enterprises Limited, to Investidea Investments Limited, which is beneficially owned by Mr. Chan Lawrence Kwok at the consideration of HK\$120,000,000 after arm’s length negotiation.

In order to focus on the development of industrial automation instruments and more effectively utilize the resources of the Group, Fujian Electronics ceased its principal business of consumer horological instruments since 2003 and has remained dormant. While Fuzhou Shanglun, which was principally engaged in production of electronic display and control instruments with different application domains from the existing products of the Group, remained dormant during the Track Record Period after ceasing production in 2003. In August 2007, since Fujian Electronics and Fuzhou Shanglun had net liabilities at the time of disposal,

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Wide Plus disposed of its entire interest in Fujian Electronic and Fuzhou Shanglun to Independent Third Parties at nominal consideration of HK\$1 and they ceased to be part of the Group since August 2007.

On 29 November 2007, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. One Share was allotted and issued to the subscriber, Codan Trust Company (Cayman) Limited, nil paid and Codan Trust Company (Cayman) Limited transferred to Mr. Wong such one Share, which was credited as fully paid at par in the manner mentioned hereinbelow. The Company has established a place of business in Hong Kong at Room 2805, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong and was registered on 29 February 2008 as a non-Hong Kong company under Part XI of the Companies Ordinance, with Mr. Cheung Chuen and Mr. Wong appointed as the authorized representatives of the Company under section 333 of the Companies Ordinance for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process of the Company in Hong Kong is the same as its said principal place of business in Hong Kong.

On 11 December 2007, Wide Plus High Precision was incorporated in Hong Kong acting as the intermediate holding company of the Group. The authorised share capital of Wide Plus High Precision upon its incorporation was HK\$10,000 divided into 10,000 shares of HK\$1 each. One share of Wide Plus High Precision was allotted and issued to the subscriber, Gold Regal Development Limited, nil paid and Gold Regal Development Limited transferred to Mr. Wong such one share for cash at par. 9,999 shares of Wide Plus High Precision were allotted and issued for cash at par to the shareholders, namely Mr. Wong as to 5,601 shares, Mr. Wong Sun Hoi as to 924 shares, Mr. Ng Hiu King as to 635 shares, Allied Basic Limited as to 1,589, Investidea Investments Limited as to 650 shares and Sunny Zone Limited as to 600 shares (“Group Shareholders”).

On 7 March 2008, Wide Plus sold and Wide Plus High Precision purchased the entire equity interest in Fujian Wide Plus from Wide Plus at the consideration of Wide Plus High Precision assuming all the debt owed to Mr. Wong by Wide Plus. After the acquisition, Wide Plus High Precision owed to Mr. Wong the amount of debt previously owed to Mr. Wong by Wide Plus. The debt owed to Mr. Wong by Wide Plus High Precision was repaid on 31 March 2008. The equity transfer has been approved by the Economic Development Bureau of Fuzhou Economic and Technological Development Zone (福州經濟技術開發區經濟發展局).

On 3 April 2008, the Company acquired 10,000 shares of Wide Plus High Precision from the said Group Shareholders. As consideration for the acquisition, the Company (a) allotted and issued to the Group Shareholders, Mr. Wong as to 2,128,759 Shares, Mr. Wong Sun Hoi as to 351,120 Shares, Mr. Ng Hiu King as to 241,300 Shares, Allied Basic Limited as to 603,820 Shares, Investidea Investments Limited as to 247,000 Shares and Sunny Zone Limited as to 228,000 Shares, all credited as fully paid and (b) credited as fully paid at par the initial one Share held by Mr. Wong. After the acquisition, Wide Plus High Precision became a wholly owned subsidiary of the Company and the Company held the entire interest in Fujian Wide Plus.

On [10 February] 2009, the Company was notified by the legal adviser of Standard Bank Asia Limited that the entire issued share capital of Allied Basic Limited had been transferred from its sole shareholder, Ms. He Yuzhu, to Standard Bank Asia Limited as a result of the enforcement of a security on 2 February 2009. Such transfer resulted in Standard Bank Asia Limited holding a beneficial interest in the share capital of Allied Basic Limited, which held 15.89% interest in the Company, which it came to fully own on 10 June 2009.

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### **FURTHER REORGANISATION AND INVESTMENTS BY STANDARD BANK PLC AND ORCHID ASIA IV, L.P. AND ORCHID ASIA IV CO-INVESTMENT, LIMITED**

As mentioned above, on 2 February 2009, Standard Bank Asia Limited held a beneficial interest in Allied Basic Limited which indirectly held 603,820 Shares being 15.89% interest in the Company. The Existing Shareholders intended to retain ownership of such 603,820 Shares and overall control of the Company before the [●] and to obtain financing for the Company’s capital expansion and working capital need, thus the Company underwent the following further reorganisation and consented to the investment and divestment made by Standard Bank Plc and Standard Bank Asia Limited respectively and entered into a series of agreements.

### **Information regarding Standard Bank Asia Limited and Standard Bank Plc and Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited**

#### *Standard Bank Asia Limited and Standard Bank Plc*

Standard Bank Asia Limited is a fully licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority and has been granted registered institution status by the Securities and Futures Commission to conduct regulated activities of dealing in and advising on securities and futures contracts, as well as advising on securities, futures contracts and corporate finance. It is a member of Standard Bank Group, a leading South African banking group focused on emerging markets globally including Brazil, Russia and China. Its headquarters is in Johannesburg and it is listed on the Johannesburg Stock Exchange.

Standard Bank group’s corporate and investment banking division is one of leading global emerging markets corporate and investment banks. Standard Bank Plc in London is Standard Bank Group Limited’s principal international subsidiary which engages in investment banking services in various sectors and emerging markets.

To the best knowledge of the Directors, both Standard Bank Asia Limited and Standard Bank Plc are Independent Third Parties.

#### *Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited*

Orchid Asia IV, L.P. (“Orchid Asia 1”) is an exempted limited partnership registered under the laws of Cayman Islands. Orchid Asia 1 is part of Orchid Asia Group Management, Ltd., an investment group which assists corporate executives of companies in the consumer service and products sectors with high growth prospects to formulate strategies to finance and expand their business enterprises. The investment group focuses in particular on companies in Asia and China. Orchid Asia 1 is an investment partnership that has capital commitments from a group of leading institutional investors and high net worth individuals.

Orchid Asia IV Co-Investment, Limited (“Orchid Asia 2”) is a limited liability company incorporated under the laws of Cayman Islands. Orchid Asia 2 is also part of Orchid Asia Group Management, Ltd. Orchid Asia 2 is an investment special purpose vehicle which may invest outside of and alongside with Orchid Asia group members in any portfolio investments.

To the best knowledge of the Directors, both Orchid Asia 1 and Orchid Asia 2 are Independent Third Parties.

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To the best knowledge of the Directors, both Standard Bank Asia Limited and Standard Bank Plc are Independent Third Parties to Orchid Asia 1 and Orchid Asia 2.

On 19 February 2009 and 19 March 2009, Sunny Zone Limited respectively transferred part of its interest in the Company, being 0.6% and 4.8% interest in the Company, to Sea Princess International Investments Limited at the nominal consideration of HK\$1. Sunny Zone Limited and Sea Princess International Investments Limited are both beneficially owned by Ms. Lam Yin Fong.

Pursuant to the resolutions passed at the extraordinary general meeting of the Company on 19 March 2009, the authorised share capital of the Company was increased from HK\$380,000 to HK\$502,000 by the creation of 1,220,000 shares of HK\$0.10 each and following the increase, such authorised share capital of HK\$502,000 was redesignated and reclassified (i) as to HK\$500,000 into 5,000,000 Class A Shares of HK\$0.10 each and (ii) as to HK\$2,000 into 2,000,000 Class B Shares of HK\$0.001 each having the rights and privileges and subject to the restrictions set out in the then Articles.

On 11 June 2009, Fortune Plus was established and is wholly and beneficially owned as to [66.6]% by Mr. Wong, [10.99]% by Mr. Wong Sun Hoi, [7.55]% by Mr. Ng Hiu King, [7.73]% by Investidea Investments Limited, [0.71]% by Sunny Zone Limited and [6.42]% by Sea Princess International Investments Limited. On 14 August 2009, Sunny Zone Limited transferred its entire interest in Fortune Plus, being [0.71]% interest in Fortune Plus, to Sea Princess International Investments Limited which is beneficially owned by Ms. Lam Yin Fong at its par value in the consideration of US\$71. Sunny Zone Limited and Sea Princess International Investments Limited are both beneficially owned by Ms. Lam Yin Fong.

On 8 July 2009, pursuant to the Facility Agreement (as defined below), Standard Bank Plc agreed to grant a term loan facility of US\$21,700,000 to the Company, while the Company agreed to advance to Fortune Plus, as borrower, a loan in the sum of up to US\$21,700,000 pursuant to the On-Loan Agreement (as defined below). Fortune Plus then used such loan to acquire 603,820 Class A Shares from Allied Basic Limited, which is beneficially owned by Standard Bank Asia Limited. Immediately upon the completion of the acquisition, pursuant to the CB Subscription Deed (as defined below), the Company agreed to issue the convertible bond in the initial principal amount of US\$35,000,000 convertible into Class A Shares (“First CB”) and to issue 879,442 Class B Shares to Standard Bank Plc at par value of HK\$0.001 each. The proceeds of the First CB were used as capital expenditure mainly for construction and expansion of phase 2 of production facility of the Company. Further details and terms of the agreements regarding the investments by Standard Bank Plc are set out as below.

After completion of the investments by Standard Bank Plc, on 14 August 2009 and 17 August 2009, part of the First CB in the principal amount of US\$17,000,000 was transferred by Standard Bank Plc to Orchid Asia 1 and Orchid Asia 2 respectively, while 427,158 Class B Shares were also transferred to Orchid Asia 1 and Orchid Asia 2 respectively at par value of HK\$0.001 each. Further details and terms of the agreements regarding the investments by Orchid Asia 1 and Orchid Asia 2 are set out as below.

### **Investments by Standard Bank Plc and Orchid Asia 1 and Orchid Asia 2**

In relation to the investments by Standard Bank Plc, Orchid Asia 1 and Orchid Asia 2, the following transactions were entered by the Existing Shareholders, Fortune Plus, the Group, Standard Bank Plc, Standard Bank Asia Limited, Orchid Asia 1 and Orchid Asia 2.

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### **Investments by Standard Bank Plc**

#### ***AB Sale and Purchase Agreement***

On 8 July 2009, Fortune Plus entered into a sale and purchase agreement with Allied Basic Limited and the Company (“AB Purchase Agreement”) and pursuant to which:

- i. Allied Basic Limited agreed to sell and Fortune Plus agreed to purchase 603,820 Class A Shares free from encumbrances, being 15.89% interest in the Company, at the consideration equals to the amount of On-loan (as defined below) (“AB Purchase”) and such consideration was arrived at arm’s length negotiation;
- ii. 603,820 Class A Shares held by Allied Basic Limited shall be transferred to Fortune Plus upon completion of the AB Purchase; and
- iii. the completion of AB Purchase was conditional upon the issuance and subscription for the First CB (as defined below) and the Class B Shares and the loan being advanced to the Company under and in accordance with the Facility Agreement (as defined below).

#### ***On-loan Agreement***

On 8 July 2009, Fortune Plus entered into a loan agreement with the Company (“On-loan Agreement”) and pursuant to which:

- i. the Company, as the lender, agreed to advance to Fortune Plus, as the borrower, the loan in the sum of up to US\$21,700,000 (“On-loan”) received under the Facility Agreement (as defined below) for the sole purpose of financing the AB Purchase;
- ii. the Company’s obligation to lend under the On-loan Agreement was conditional upon the loan being advanced to the Company under and in accordance with the Facility Agreement;
- iii. the On-loan shall be subject to the same interest rate as on the loan under the Facility Agreement; and
- iv. Fortune Plus is required to repay the outstanding On-loan together with accrued interest thereon immediately upon an event of default described in the Facility Agreement or an event of default described in the On-loan Agreement is continuing or upon request of the Company.

To the best knowledge of the Directors, Fortune Plus intends to repay the On-loan prior to the [●] by cash.

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### ***Facility Agreement***

On 8 July 2009, the Company, Wide Plus High Precision and Mr. Wong entered into a senior term facility agreement with Standard Bank Asia Limited (as arranger, agent and security agent) (“Security Agent”) and Standard Bank Plc (“Facility Agreement”) and pursuant to which:

- i. Standard Bank Plc, as the lender, agreed to grant a term loan facility of US\$21,700,000 to the Company, as the borrower (“Facility”);
- ii. Wide Plus High Precision and Mr. Wong, as the guarantors, irrevocably and unconditionally jointly and severally guaranteed to each of Standard Bank Asia Limited and Standard Bank Plc punctual performance by the Company of all obligations under the Facility Agreement and other finance documents in relation thereto;
- iii. the Facility was available during the period from and including the date of Facility Agreement to and including the date falling five business days after the date of the Facility Agreement;
- iv. the interest rate of the Facility under the Facility Agreement was the aggregate of 8% per annum and LIBOR;
- v. the Facility is repayable in five equal instalments the first commencing the first anniversary of the date of the Facility Agreement;
- vi. the Facility is repayable in full together with accrued interest thereon on the date falling 3 years after the date of Facility Agreement or if earlier upon events of default described in the Facility Agreement;
- vii. the Facility will be prepaid upon occurrence of the events of a change of control in the Company or [●] and if the lender(s) so require, the Security Agent, shall by not less than 10 days notice to the Company, cancel the Facility and declare all outstanding amounts together with accrued interest due and payable, whereupon the Facility will be cancelled; and
- viii. the Company may declare and pay a cash dividend for the sole account of Fortune Plus provided that the amount of such dividend declared will not exceed the amount then outstanding under the On-loan or it will not result in the total cumulative dividends declared to exceed US\$21,700,000 and no event of default described in the Facility has occurred for the purpose of repaying the On-loan.

To the best knowledge of the Directors, the Company intends to prepay the Facility to Standard Bank Plc upon the [●] by applying the repayment of On-loan.

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### ***WPHP Loan Agreement***

On 8 July 2009, Wide Plus High Precision entered into a loan agreement with the Company (“WPHP Loan Agreement”) and pursuant to which:

- i. the Company, as the lender, agreed to advance an interest-free loan in the aggregate principal amount of US\$30,000,000 to Wide Plus High Precision, as the borrower, for investment purposes;
- ii. the Company’s obligation to lend under the WPHP Loan Agreement is conditional upon the completion of issue of First CB in accordance with the CB Subscription Deed (as defined below); and
- iii. Wide Plus High Precision shall repay the loan in full upon an event of default as described in the CB Subscription Deed or upon demand by the Company or on the fifth anniversary of the date of the loan being drawn.

### ***CB Subscription Deed***

On 8 July 2009, the Company entered into a subscription deed (“CB Subscription Deed”) with Standard Bank Plc, Standard Bank Asia Limited, Fortune Plus, and the Existing Shareholders pursuant to which Standard Bank Plc agreed to subscribe for and the Company agreed to issue the convertible bond in the initial principal amount of US\$35,000,000 convertible into Class A Shares and to issue 879,442 Class B Shares to Standard Bank Plc at par value of HK\$0.001 each.

The First CB was issued by the Company to Standard Bank Plc on 10 July 2009 (“First CB Issue Date”).

After subscription of the First CB, on 13 August 2009, Sunny Zone Limited transferred 22,800 Class A Shares to Standard Bank Asia Limited, being [0.48%] interest in the Company, at the consideration of HK\$7,350,000.

### ***First CB***

#### *Principal Terms of the First CB*

##### Interest Period and Interest

Interest periods shall commence from 1 January and ending on and including 30 June every year and from 1 July and ending on and including 31 December every year (the first interest period shall commence on the date of issue of the First CB).

The interest rate shall be 8% per annum during the first and second interest period, 10% per annum for the third and fourth interest period and 14% per annum thereafter. Interest accrues on daily basis until the date on which the First CB is repaid in full and if earlier on the Maturity Date (as defined below) or any other date on which repayment is made or upon conversion.

##### Payment of Interest

Interest shall be repaid in cash at the end of respective interest periods in immediately available funds and free from any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges in connection with any such payments.



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In the event of any conversion of the First CB, the Company shall pay an amount equal to the interest and amounts accrued but unpaid in respect of the principal amount of the First CB being converted.

### Maturity Date

The fifth anniversary of the First CB Issue Date.

### Repayment

The outstanding amount of the First CB, together with interest accrued thereon shall be repaid on the Maturity Date or upon demand from the holder(s) of First CB after the third anniversary of the First CB Issue Date or upon an event of default.

### Conversion

The holder(s) of First CB shall be entitled to convert the whole or part of the First CB provided that any conversion of part shall be made in amounts of not less than a whole multiple of US\$1,000,000 on each conversion.

Save and except where an event of default is continuing or a required adjustment to the conversion price has not been finalized or the holder(s) of the First CB has requested repayment in the circumstances where there is an event of default or after the third anniversary of the First CB Issue Date subject to the terms of the First CB, there shall be mandatory conversion (“Mandatory Conversion”) of the First CB in the event of a Qualified IPO (as defined below).

The term “Qualified IPO” means an initial public offering in connection with the commencement of listing on the main board of the Stock Exchange or (subject to the prior consent of the holder(s) of the First CB) New York Stock Exchange, NASDAQ, American Stock Exchange, or a stock exchange in Japan or London and all the following conditions are satisfied:-

- (i) the number of Shares offered to members of the public and/or to professional or institutional investors is at least [●]% of the Fully Diluted Number of Shares (as defined below);
- (ii) Class A Shares are the only class of Shares of the Company on such date; and
- (iii) the price per Share in such initial public offering multiplied by the Fully Diluted Number of Shares (but excluding any Shares issued in Qualified IPO and, for the avoidance of doubt, excluding any Shares or interests therein that arise as a result of a breach of finance documents in relation to the investment of Standard Bank Plc or where their existence would otherwise breach the representations and warranties provided in CB Subscription Deed) shall be:
  - (a) not less than RMB[●] (or its equivalent) if the IPO (as defined below) occurs within twelve (12) months from the First CB Issue Date; or
  - (b) not less than RMB[●] (or its equivalent) if the IPO occurs after twelve (12) months but before twenty four (24) months from the First CB Issue Date; or
  - (c) not less than RMB[●] (or its equivalent) if the IPO occurs after twenty four (24) months but before thirty six (36) months from the First CB Issue Date; or

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- (d) not less than RMB[●] (or its equivalent) if the IPO occurs after thirty six (36) months but before forty eight (48) months from the First CB Issue Date; or
- (e) not less than RMB[●] (or its equivalent) if the IPO occurs after forty eight (48) months from the First CB Issue Date,

or in respect of items (a) to (e) above, such lower market capitalization as agreed by all holders of the First CB.

The term “IPO” means an initial public offering in connection with the commencement of listing on a stock exchange of the Shares (including any conversion shares) of the Company.

The term “Fully Diluted Number of Shares” means, as of any date of determination, the sum determined by CB Agent (as defined below) (i) all Shares then outstanding; (ii) all Shares issuable pursuant to any equity securities which are convertible into or exchangeable or exercisable for Shares (assuming conversion, exchange or exercise to the fullest extent of their terms and including the principal amount of the First CB); and (iii) all Shares issuable pursuant to any contractual or other obligations of the Company and/or the Company and Mr. Wong and Mr. Wong Sun Hoi, provided that this calculation shall not take into account the number of Class B Shares relating to the First CB, to the extent that the Class A Shares related to the First CB has already been taken into account for the purposes of this determination.

### Conversion Price

At the Issue Date, US\$39.80, subject at all times to adjustments pursuant to conditions in the First CB.

### Anti-dilution adjustment to Conversion Price

The anti-dilution adjustment mechanism is for the purpose of protecting the interests of the holder(s) of the First CB and the value of the underlying conversion right.

The conversion price will be subject to anti-dilution adjustment provisions for events which could have a dilutive effect on the value of the Class A Shares, for example, sub-division of Class A Shares, capitalization of profits or reserves, capital distribution, rights issues of Class A Shares or options over Class A Shares, rights issues of other securities, issues at less than current market price, modification of rights of conversion, where the adjustments would result in a decrease in the conversion price of the First CB and such that the holder(s) of the First CB would have been entitled to receive had the First CB been converted immediately prior to such occurrence of the event. The said adjustments will be made, if required, with no reference to the [●] Price of the Shares. [As at the Latest Practicable Date], no anti-dilution adjustment has been made in accordance with the said anti-dilution adjustment mechanism.

### Event of Default

The occurrence of the following shall be, among others, an event of default:

- (i) the Company fails to maintain an Adjusted NPAT (as defined below) equal to or above RMB218,500,000 for the financial year ending 30 June 2009, RMB240,000,000 for the financial year ending 30 June 2010, RMB264,000,000 for the financial year ending 30 June 2011 and RMB323,000,000 for the financial year ending on 30 June 2012;

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- (ii) the Company fails to pay any principal, repayment amount, interest or coupon due on or in respect of the First CB;
- (iii) the Company fails to perform or comply with any obligations, representation or statements or undertakings in the finance documents in relation to the investment of Standard Bank Plc by the Company, the Group, Fortune Plus and Existing Shareholders;
- (iv) any insolvency event in respect of the Company, the Group, Fortune Plus and Mr. Wong;
- (v) Mr. Wong ceases (for any reason, including ill health) to be a Director or Shareholder;
- (vi) Mr. Wong fails to perform or comply with any obligations in the First CB or the documents in relation to the investment of Standard Bank Plc and such failure is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) days;
- (vii) at any time:
  - (a) Fujian Wide Plus ceases to be a wholly-owned direct subsidiary of Wide Plus High Precision; or
  - (b) Wide Plus High Precision ceases to be a wholly-owned direct subsidiary of the Company; or
- (viii) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the finance documents in relation to the investment of Standard Bank Plc.

The term “Adjusted NPAT” means the audited consolidated profit after tax and extraordinary items of the Group disclosed in the Adjusted NPAT Calculation.

The term “Adjusted NPAT Calculation” means for each of the relevant fiscal years ending 30 June, the audited consolidated net profit after tax and extraordinary items of the Group, prepared in accordance with HKFRS as issued in writing by the Company’s auditors, to be adjusted by ensuring that such net profit after tax and material items of an unusual or non-recurring nature is arrived at after adding back losses and expenses or deducting profits and gains in relation to:

- (a) all fair value adjustments required under HKFRS relating to the provision of the Facility Agreement and the First CB;
- (b) the reported interest expense and financing fees (including any upfront-fee, structuring fee, and underwriting fee) of the First CB and the Facility Agreement calculated under amortised cost method, if applicable, and the nominal interest calculated pursuant to the First CB;
- (c) all fair value adjustments required under HKFRS relating to the issue of the First CB, including but not limited to (i) the redesignation of the ordinary shares into Class A Shares, (ii) the issue of Class B Shares and (iii) foreign currency swap implicit in the First CB;
- (d) the acceleration of vesting due to the cancellation of the options granted under the Pre-IPO Share Option Scheme, as required by HKFRS 2 “Share-based Payment”;

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- (e) all expenses related to the On-loan; and
- (f) all revaluation adjustments required under the relevant accounting principles relating to plant, properties and equipment or other non-current assets (for the avoidance of doubt, any adjustment related to the write-downs or write-offs of accounts receivables or inventories shall be excluded).

Pursuant to the CB Subscription Deed, upon conversion of the First CB, Class B Shares subscribed by the holder(s) of the First CB shall be automatically redeemed by the Company at nil consideration and cancelled and any Class B Shares not otherwise redeemed and cancelled will be redeemed automatically by the Company at nil consideration and cancelled without any compensation.

The Directors confirm that the Company’s Adjusted NPAT for the year ended 30 June 2009 is RMB222,562,000 which exceeds the lowest Adjusted NPAT, RMB218,500,000, of which the Company is required to maintain under the terms of the First CB.

### Charges

To secure due and punctual performance of its obligations under the On-loan Agreement, Fortune Plus charged 603,820 Class A Shares in favor of the Company on 8 July 2009.

To secure due and punctual performance of its obligations under the finance documents in relation to the First CB and the Facility, the Company and Wide Plus High Precision each charged all its assets in favor of Standard Bank Asia Limited, as Security Agent and CB Agent on 8 July 2009 and such charge will be released upon the prepayment of all outstanding amounts together with accrued interest under the Facility immediately after the [●].

To secure due and punctual performance of its obligations under the finance documents in relation to the First CB and the Facility, Mr. Wong charged [2,128,760] Shares, being his entire direct interest in shares of the Company and the Company charged 10,000 shares of Wide Plus High Precision, being its entire interest in Wide Plus High Precision in favor of Standard Bank Asia Limited, as Security Agent and CB Agent on 8 July 2009 and such charge will be released upon the prepayment of all outstanding amounts together with accrued interest under the Facility immediately after the [●].

### Agency Agreement

On 8 July 2009, the Company entered into an agency agreement (“Agency Agreement”) with Mr. Wong and Mr. Wong Sun Hoi and Standard Bank Plc and Standard Bank Asia Limited pursuant to which Standard Bank Plc in capacity of the holder of First CB has appointed Standard Bank Asia Limited as its agent (“CB Agent”) for the purpose of carrying certain arrangements in relation to the performance of the First CB and Mr. Wong and Mr. Wong Sun Hoi agreed and acknowledged such arrangements.

### Guarantee

On 8 July 2009, in connection with the CB Subscription Deed, Wide Plus High Precision, as corporate guarantor, gave a guarantee in favor of the CB Agent acting on behalf of, and for the benefit of the holder(s) of the First CB to guarantee the obligations of each member of the Group and Mr. Wong and Mr. Wong Sun Hoi under the finance documents in relation to the First CB (“Corporate Guarantee”).

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On 8 July 2009, in connection with the CB Subscription Deed, Mr. Wong, as guarantor, gave a guarantee in favor of the CB Agent acting on behalf of, and for the benefit of the holder(s) of the First CB to guarantee the obligations of the Company, Mr. Wong and Mr. Wong Sun Hoi under the finance documents in relation to the First CB (“Individual Guarantee”).

### *Security Holders’ Deed*

#### Management of the Company

Pursuant to the terms of a security holders’ deed dated 8 July 2009 (“Security Holders’ Deed”), so long as the holder(s) of the First CB (or the ex-holder(s) of the First CB after conversion or repaid) holds more than 50% of the total principal amounts of the First CB or more than 50% of the value of whose combined amounts owing to the holder(s) of the First CB (or the ex-holder(s) of the First CB) under the Security Holders’ Deed and/or any finance documents in relation to the First CB, the CB Agent on behalf of the First CB shall have the right to appoint one director to Board of the Company and each of the Group outside PRC.

#### Dividend

The holder(s) of Class B Shares shall not be entitled to receive dividends from the Company.

#### Reserved Matters

Certain reserved matters of the Company (such as the adoption or termination of the Company’s share option scheme, incurrence of indebtedness or expenditure over a certain limit other than those described and permitted by the business plan and budget, amendment of constitutional documents and the declaration of dividends by the Company) must be approved by the CB Agent on behalf of the holder(s) of the First CB.

#### Pre-emptive Right

Holder(s) of the First CB has a pre-emptive right to purchase up to its pro rata share (with reference to the principal amount which the holder(s) of First CB subscribed) of any new securities which the Company may, from time to time, propose to sell, offer or issue.

#### Right of First Offer

Holder(s) of the First CB has a right of first offer over the Shares proposed to be sold by Fortune Plus and the Existing Shareholders of the Company.

#### Tag-along Rights

In the event that Fortune Plus and any of the Existing Shareholders sells any part of its shareholding in the Company to a third party, which shall result in Fortune Plus and the Existing Shareholders holding in aggregate less than 63% of the Shares (subject to the approval by Standard Bank Plc, the shareholders’ rights of first offer and certain other stipulated conditions), the holder(s) of the First CB has the right to have up to a pro rata portion of its shareholding interest in the Company included in such sale, on substantially the same terms and conditions as such share sale by Fortune Plus and the Existing Shareholders of the Company.

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### Information Rights

The holder(s) of the First CB through the CB Agent is entitled to have full and equal access to the financial and accounting information, annual business plan and other books and records subject to certain confidentiality obligations.

[[As at the Latest Practicable Date], the holders of the First CB and Transferred CBs have not exercised their right to nominate a director and/or an alternate to the Board of the Company or each of the Group outside PRC under the Security Holders’ Deed.]

[[As at the Latest Practicable Date], the holders of the First CB and Transferred CBs have not exercised their pre-emptive right under the Security Holders’ Deed.]

### **Divestments by Standard Bank Plc to Orchid Asia 1 and Orchid Asia 2**

Subject to the terms of the CB Subscription Deed and pursuant to the CB Transfer Deed and the First Amendment Deed to the CB Subscription Deed dated [14] August 2009, on [17] August 2009, part of the First CB in the principal amount of US\$17,000,000 was transferred by Standard Bank Plc to Orchid Asia 1 and Orchid Asia 2 as to US\$16,660,000 and US\$340,000 respectively (“Transferred CBs”), while 418,615 and 8,543 Class B Shares were also transferred to Orchid Asia 1 and Orchid Asia 2 respectively at par value of HK\$0.001 each.

Following the said transfers, Standard Bank Plc held the First CB in the principal amount US\$18,000,000 and 452,284 Class B Shares.

#### *Principal Terms of the Transferred CBs*

Save and except the principal amount subscribed and the identity of the subscribers, the principal terms of the Transferred CBs are substantially the same as the First CB.

### **Cancellation of special rights and release of security**

#### *Variation Agreement*

Pursuant to the terms of the variation agreement dated 25 September 2009 (“Variation Agreement”) entered into between the holders of First CB and Transferred CBs, CB Agent, the Existing Shareholders and Fortune Plus, i) all special rights granted to the holders of First CB and Transferred CBs, including any management, transfer, information or veto rights and any interest in the security provided by the Group, under the Security Holder’s Deed and the finance documents in relation the First CB; and ii) the Corporate Guarantee and the Individual Guarantee, will be terminated and ceased or released upon Mandatory Conversion and the [●] (“Relevant Event”). If the [●] has not occurred by 31 December 2009, the CB Agent shall have the right to terminate the Variation Agreement.

#### *Undertaking to Release Security*

Pursuant to the terms of the undertaking to release security dated 25 September 2009 (“Undertaking to Release”) executed by Standard Bank Asia Limited (in its capacity as CB Agent and Security Agent), upon i) the Facility has been irrevocably repaid in full and no other secured obligations in relation thereto; ii) the Facility being terminated; and iii) the holders of First CB and Transferred CB cease to have interest in the security given by the Group (the events i), ii) and iii) collectively referred to as “Release Event”) and upon request of the Company, no later than five

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business days, the Security Agent shall release the security and guarantees in relation to the Facility. If the Release Event has not occurred by 31 December 2009, Standard Bank Asia Limited shall have the right to terminate the Undertaking to Release.

Subject to and in accordance with the terms of the Facility Agreement, the Variation Agreement and the Undertaking to Release, the Facility shall be prepaid upon the [●] and all security and guarantees in relation to the Facility shall be released by the Security Agent by no later than five business days thereafter.

### Lock-up

Upon the occurrence of the Relevant Event, each of Standard Bank Plc, Standard Bank Asia Limited, Orchid Asia 1 and Orchid Asia 2 undertakes that:

- (a) neither Standard Bank Plc/Standard Bank Asia Limited/Orchid Asia 1/Orchid Asia 2 nor any of their associates or companies controlled by them has any present intention of disposing of any Shares or other securities of the Company in respect of which they are shown in this document to be the beneficial owner (or any beneficial interest therein) during the First Six Months (defined below);
- (b) without the prior written consent of each of the Company, the [●], the Joint Lead Managers (for themselves and on behalf of the [●]) and the Stock Exchange, they shall not, and shall procure and ensure that none of their associates or companies controlled by them or any nominee or trustee holding in trust for them shall, transfer or enter into any agreement to dispose of or otherwise dispose of (including, without limitation, by the creation of any option over or any mortgage, charge or other security interest in respect of) any interest in any of the Shares in respect of which they are shown in this document to be the beneficial owner immediately following completion of the [●] ("**Relevant Shares**") or any interest in any shares in any company controlled by them which is directly, or through another company indirectly, the beneficial owner of any of the Relevant Shares within the period commencing on the date by reference to which disclosure of their shareholding is made in this document and ending on the date which is 6 months from the date of which dealings in the Shares commence on the Stock Exchange (the "**First Six Months**"),

provided that if the Relevant Event has not occurred by 31 December 2009, each of Standard Bank plc, Standard Bank Asia Limited, Orchid Asia 1 and Orchid Asia 2 shall have the right, at any time after that date by giving a written notice to the Company, to terminate their undertakings above.

The above restrictions shall not prevent Standard Bank Plc, Standard Bank Asia Limited, Orchid Asia 1 and Orchid Asia 2 from using the Relevant Shares owned by them as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Cap.155), Laws of Hong Kong) for a bona fide commercial loan.

### Conversion of the First CB and the Transferred CBs

Under the terms of the First CB and the Transferred CBs, there shall be Mandatory Conversion in the event of a Qualified IPO, the Directors confirm that it is the intention of the Company that the [●] will trigger a Qualified IPO which will result Mandatory Conversion of the First CB and the Transferred CBs.

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Following such conversion and upon the completion of the Capitalisation Issue and the [●], Standard Bank Plc will be holding a total of [●] Shares representing approximately [●]% shareholding in the Company, assuming there are no diluting issuances by the Company such as consolidation, subdivision or capitalisation of the Shares.

Following such conversion and upon the completion of the Capitalisation Issue and the [●], Orchid Asia 1 and Orchid Asia 2 will be holding a total of [●] Shares representing approximately [●]% shareholding in the Company, assuming there are no diluting issuances by the Company such as consolidation, subdivision or capitalisation of the Shares.

The price per Share paid by Standard Bank Plc and Orchid Asia 1 and Orchid Asia 2 was approximately HK\$[1.94] (the “Entry Price”). Based on the stated [●] Price range, the Entry Price represents a discount of approximately [●]% to the [●] Price of HK\$[●] per Share, being the bottom end of the stated [●] Price range, and a discount of approximately [●]% to the [●] Price of HK\$[●] per Share, being the top end of the stated [●] Price range.

### **Use of Proceeds of the First CB and Transferred CBs and Investment Risks**

The investment risks that Standard Bank Plc was subject to when making the investment in the Company in July 2009 were entirely different from the risks which the public may have to bear in the [●].

At the time the investment by Standard Bank Plc was made, the Company was still a private company. The terms of the First CB reflected and justified by the illiquidity of the Shares, the possibility that the Qualified IPO may not take place, the historical financial performance of the Group, the negotiations of the parties at relevant time and the 6 months lock-up arrangement that Standard Bank Plc was subject to. In addition, to the best knowledge of the Directors, such investment and the latter divestment to Orchid Asia 1 and Orchid Asia 2 were made as a result of ordinary course risk diversification of Standard Bank Plc which was pre-agreed between the Company and Standard Bank Plc.

The proceeds from the investment by Standard Bank Plc in the Company were used as capital expenditure mainly for construction and expansion of phase 2 of the production facility of the Company situated in Long Men Village, Kuaian Technology Park, Economic Technology Development Zone, Mawei District, Fuzhou City, PRC.

At the time when the investments by Orchid Asia 1 and Orchid Asia 2 were made in August 2009, there was no assurance that the approval of the [●] will be obtained and there was a time period of uncertainty between Orchid Asia 1 and Orchid Asia 2 investing in the Transferred CBs and the [●], also the 6 Months lock-up arrangement that Orchid Asia 1 and Orchid Asia 2 were subject to. During such period the global financial markets continued to face immense uncertainty. Hence, the investment risks that Orchid Asia 1 and Orchid Asia 2 were subject to when making the investment in the Company in August 2009 were therefore entirely different from the risks which the public may have to bear in the [●].

The Group’s PRC legal adviser, Dacheng Law Offices, has confirmed that the Group has obtained all approvals and permits required under PRC laws and regulations in connection with each stage of the reorganisation. [In addition, given the fact that Fujian Wide Plus, the PRC subsidiary of the Company, is established as foreign owned enterprises and controlled by the Company or its affiliates before 8 September 2006, the Group’s PRC legal adviser confirms that the Corporate Reorganization is not subject to the requirements under the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors].

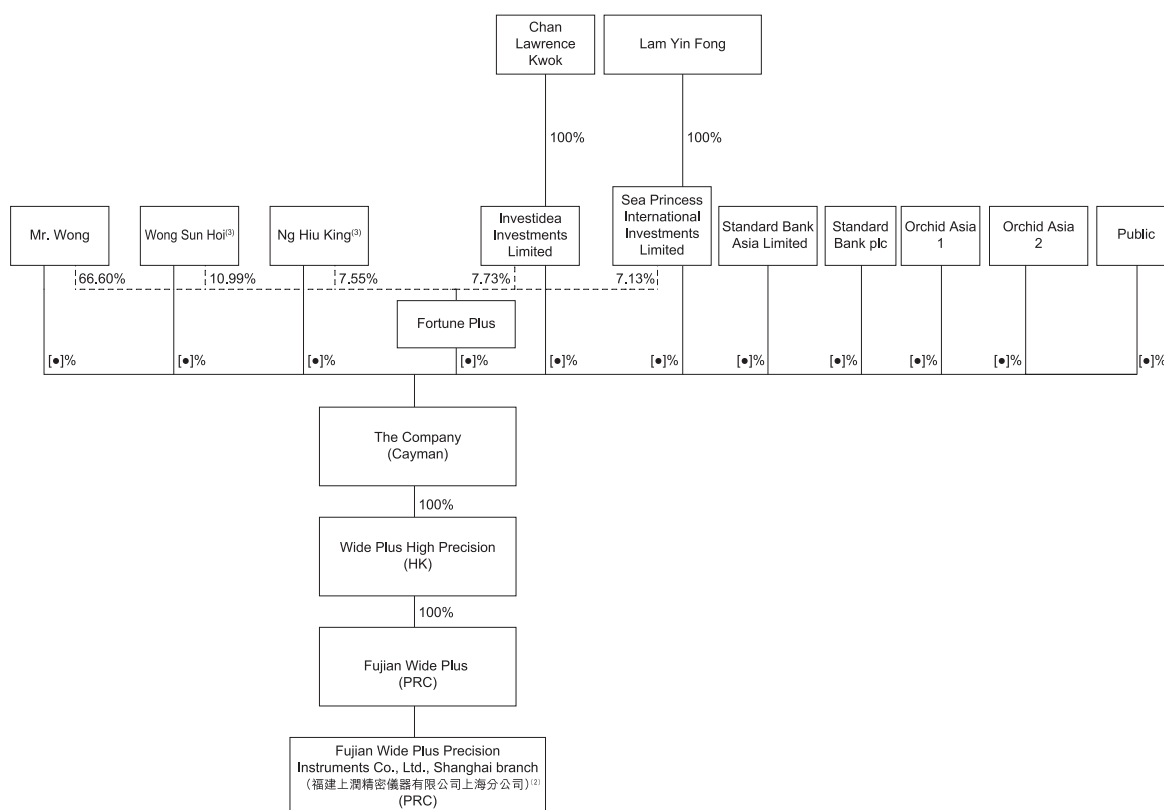


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### GROUP STRUCTURE

The following chart sets out the shareholding structure and the operating subsidiaries of the Group immediately following the [●] taking no account of any shares which may be allotted and issued under the Share Option Scheme and the [●].



**Notes:**

- 1: The Group’s PRC legal adviser, Dacheng Law Offices, has advised that none of the shareholders of the Company is a PRC resident and required to register with State Administration of Foreign Exchange of the PRC (中國國家外匯管理局) in respect of their investments in the Group.
- 2: This branch company was established on 30 April 2007 under PRC laws and is mainly engaged in business coordination for the holding company.
- 3: Mr. Ng Hiu King and Mr. Wong Sun Hoi hold directorships in Fujian Wide Plus, and are connected persons within the meaning of the Listing Rules.
- 4: The Shares held by each of Standard Bank Asia Limited, Standard Bank plc, Orchid Asia 1 and Orchid Asia 2 will not be treated as part of the [●] after the [●].