FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The Group's selected consolidated financial data set forth below has been extracted from the consolidated financial information of the Group as of [30 June 2007, 2008 and 2009] and for the three financial years ended 30 June 2009, all of which are set forth in the Accountants' Report included as Appendix I to this document (the "Financial Information"). As more fully described in Appendix I, the Financial Information was prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Investors should read these selected consolidated financial data together with Appendix I to this document and the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Selected Consolidated Income Statement Data

	Year ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	479,251	600,904	[620,003]
Cost of sales	(257,209)	(317,930)	[(323,762)]
Gross profit	222,042	282,974	[296,241]
Other revenue	1,950	1,425	[1,436]
Other expenses	(5,780)	(9,702)	[—]
Other net (losses)/gain	(110)	(3,112)	[63]
Distribution costs	(3,075)	(3,972)	[(3,833)]
Administrative expenses	(12,778)	(25,681)	[(45,341)]
Profit from operations	202,249	241,932	[248,566]
Finance costs	(2,030)	(2,935)	[(5,775)]
Profit before taxation	200,219	238,997	[242,791]
Income tax	(15,574)	(26,925)	[(42,834)]
Profit for the year	184,645	212,072	[199,957]
Effective tax rate (%)	7.8	11.3	[17.6]
Dividend declared and paid during the year	280,864	—	[230,326]
Earnings per share (cents)			
— basic	24.62	28.28	[26.66]
— diluted	24.62	[28.15]	[26.66]

Selected Consolidated Balance Sheet Data

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	55,814	56,133	[57,256]
Construction in progress	650	31,354	[71,043]
Lease prepayments	10,656	10,656	[10,656]
Deferred tax assets	750	1,569	[2,676]
	67,870	99,712	[141,631]
Current assets			
Inventories	22,513	33,355	[28,630]
Trade and other receivables	141,932	263,973	[289,875]
Amounts due from related parties	1,907	—	[—]
Cash and cash equivalents	153,908	191,701	[203,474]
	320,260	489,029	[521,979]
Current liabilities			
Bank loans	21,808	56,024	[78,997]
Trade and other payables	85,261	124,926	[159,011]
Amounts due to shareholders of the Company	9,795	4,836	[5,731]
Amounts due to related parties	4,200	12,098	[20,413]
Current taxation	4,634	6,378	[10,587]
Provision for warranty	355	645	[1,055]
	126,053	204,907	[275,794]
Net current assets	194,207	284,122	[246,185]
Total assets less current liabilities	262,077	383,834	[387,816]
Non-current liabilities			
Bank loans	3,808	—	[—]
Deferred tax liabilities	—	5,767	[17,785]
	3,808	5,767	[17,785]
NET ASSETS	258,269	378,067	[370,031]

	As at 30 June		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	104,143	342	[342]
Reserves	154,126	377,725	[369,689]
TOTAL EQUITY	258,269	378,067	[370,031]

Selected Consolidated Cash Flow Statement Data

	Year ended 30 June		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	184,104	136,781	[262,520]
Net cash used in investing activities	(17,048)	(30,029)	[(46,798)]
Net cash generated from/(used in) financing activities	(250,246)	(68,959)	[(203,949)]

INDEBTEDNESS

Borrowings

As at the close of business on [30 June] 2009, the [latest practicable date] for the purpose of the indebtedness statement, the Group had aggregate banking facilities of approximately RMB[83,997,000], of which approximately RMB[78,997,000] were utilized.

A breakdown of the Group's bank loans on [30 June] 2009 by due date is as follows.

Due within one year . . . . RMB[78,997,000]

Due in the second year . . . . [—]

Collateral

As at [30 June] 2009, bank borrowings of the Group totaling RMB[55,000,000] were secured by personal guarantees provided by Mr. Wong and a third party. The said personal guarantees will be replaced by guarantees of the Company of prior to the [●].

Capital Commitments and Other Commitments

Capital commitments

The following table summarizes our capital commitments as at the dates indicated.

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	46,842	[12,480]
Authorised but not contracted for	256,650	181,970	[184,127]
	256,650	228,812	[196,607]

[The capital commitments we made represented our construction of manufacturing plants and our acquisition of production facilities for the new plants.]

Operating leases commitments

The following table summarizes our total future minimum lease payments under non-cancellable operating leases as at the dates indicated.

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	487	1,847	[1,244]
After 1 year but within 5 years	—	3,915	[3,658]
After 5 years	—	9,671	[8,727]
	487	15,433	[13,629]

The Group is the lessee in respect of properties held under an operating lease. The lease typically runs for an initial period of [2] to [15] years, with an option to renew the leases upon expiry when all terms are renegotiated. The lease does not include contingent rentals.

Debt Securities

As at the close of business on [30 June] 2009, the Group had no debt securities issued outstanding, or authorised or otherwise created but unissued.

Contingent Liabilities

The Group had no material contingent liabilities as at [30 June] 2009.

FINANCIAL INFORMATION

DISCLAIMER

Save as disclosed in the paragraph headed "Collateral", as at [30 June] 2009, the Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that as at the [Latest Practicable Date], they are not aware of any circumstances which would give rise to a disclosure under Rule 13.13 to Rule 13.19 of the Listing Rules.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis in conjunction with the consolidated financial information of the Group as of 30 June 2007, 2008 and 2009 and for the three financial years ended 30 June 2009, all of which are set forth in the Accountants' Report included as Appendix I to this document (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information presented in this section has been extracted or derived from the Group's unaudited management accounts or other records. Investors should read the whole of the Accountants' Report and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. The Group's actual future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in "Risk Factors", "Business" and elsewhere in this document.

Overview

The Group is one of the market leaders in the automation instrument industry and is engaged in the manufacturing and sale of two distinct but complementary business lines under the Group's own Wide Plus brand comprising (i) high precision industrial automation instrument and technology products targeting the middle to high-end segments of the industrial automation instrument market, and (ii) horological instruments, namely, multi-functional all plastic quartz watch movements.

According to the PRC Instrument Industry Research and Development Report (中國儀器儀錶行業調研報告) dated March 2008, the Group was the leading indicator and controller manufacturer and the leading PRC-based (overall top three) pressure transmitter manufacturer in China in terms of number of units sold in 2006. With exception of limited involvements by some domestic enterprises, the middle to higher-end segments of the PRC market with high stability, reliability and precision requirements is oligopolistic in nature and almost exclusively reliant on imports or products manufactured by foreign invested enterprises (三資企業) such as the Group, with a relatively limited number of international brands commanding dominant market positions.

The global quartz watch movement market is an oligopoly market dominated by Seiko and Citizen, and to a lesser extent, the Group and two other leading PRC manufacturers. According to the Report on the PRC Quartz Watch Movement Development and Industry Status Analysis (中國石英錶芯發展及產業現狀評析) dated [July] 2009, the Group is one of the three industry leaders amongst only [10] PRC quartz watch movement manufacturers and the only enterprise being acknowledged to lead industry innovations in China with products that are of international quality standards.

Factors Affecting Financial Results

The Group's financial results over the Track Record Period have been most significantly impacted by the following factors:

Composition of turnover

The Group now generates the majority of its annual turnover from the manufacture and sale of high precision industrial automation instrument and technology products (i.e. intelligent digital display, flow accumulate instruments, pressure transmitters and logging control instruments) and a minority of its annual turnover from the manufacture and sale of horological instruments. The respective contributions to total annual turnover from each of these revenue streams have fluctuated in recent years. The following table sets forth total amount, percentage contribution and segment gross profit margins for each of these categories for the years indicated:

	Year ended 30 June								
	2007			2008			2009		
	RMB'000	*Margin*(1)	*%*	*RMB'000*	*Margin*(1)	*%*	*RMB'000*	*Margin*(1)	*%*
High precision industrial automation instrument and technology products	307,351	49.3	64.1	426,115	[50.3]	70.9	[462,425]	[51.0]	[74.6]
Horological instruments	171,900	41.0	35.9	174,789	[39.3]	29.1	[157,578]	[38.4]	[25.4]
TOTAL	**479,251**		**100**	**600,904**		**100**	**[620,003]**		**100**

(1) “margin” means segment gross profit margin, which is calculated by dividing the segment gross profit for the particular category of product for the year specified by the revenue from external customers derived from sales thereof during that same year.

Any change in the percentage of the Group's total turnover derived from each of these two main product categories may have a direct impact on the Group's results of operations, particularly its profit margins. As illustrated by the table above, the segment gross profit margins for high precision industrial automation instrument and technology products were higher than those for horological instruments during the Track Record Period. Additionally, the segment gross profit margins on automation products increased each year during the Track Record Period, while the segment gross profit margins on horological instruments decreased during the Track Record Period.

[Segment gross profit margins on sales of high precision industrial automation instrument and technology products increased over the Track Record Period because, while average selling prices thereon remained relatively stable over that time, the Group was able to manage its costs of production to lower the per unit costs. Segment gross profit margins on sales of horological instruments decreased slightly over the Track Record Period because average selling prices thereon decreased over that time as the Group cut its selling prices to win market share in an intensely price competitive market.]

[Applicable tax rate and tax holiday over the Track Record Period

Pursuant to the “Detailed Rules for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises” (“Implementation Rules”), (《中華人民共和國外商投資企業和外國企業所得稅法實施細則》), Fujian Wide Plus, being a manufacturing and foreign investment enterprise situated in the Mawei District in Fuzhou, which is an economic and technological development zone, enjoyed a preferential PRC Enterprise Income Tax rate of 15%. Since Fujian Wide Plus is a foreign investment enterprise and is accredited as a new and high technology enterprise, it was granted certain tax relief whereby the profit for the two years starting from 1 January 2004 to 31 December 2005 was exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate in accordance with the Implementation Rules. "Approval for recognition of the application of Fujian Wide Plus for being qualified as a Foreign Investment Enterprise to be granted the 'two plus three' tax preferences" (Rong Kai Guo Shui Han (2004) No.74) (《關於對福建上潤精密儀器有限公司申請享受外商投資企業所得税「免二減三」優惠政策資格確認的批覆》(榕開國税函(2004)74號)) and "Approval for application for recognizing the profit-making year of Fujian Wide Plus for Foreign Investment Enterprise Income Tax" (Rong Kai Guo Shui Han (2005) No.38) (《關於對福建上潤精密儀器有限公司申請確認外商投資企業所得税獲利年度的批覆》(榕開國税函(2005)38號)) were issued by the State Tax Bureau of Fuzhou Economic and Technological Development Zone (福州經濟技術開發區國家税務局) on 26 April 2004 and 26 May 2005, respectively to approve the tax relief.

On March 16, 2007, the National People's Congress promulgated the new Corporate Income Tax Law (the "New CIT Law"), which took effect from 1 January 2008. Under the New CIT Law, China adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises). This new law revokes the current tax exemptions, reductions and preferential treatment applicable to foreign-invested enterprises.

However, there is a transition period for enterprises which were entitled to a tax rate lower than 25% before the implementation of the New CIT Law. The rate may gradually increase to the new tax rate within five years after the effective date of the New CIT Law. For enterprises enjoying a reduced tax rate of 15% before the implementation of the New CIT Law, the transitional tax rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Furthermore, enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

As a result of the transitional policies, the applicable tax rate for Fujian Wide Plus of the Group for the year ended 31 December 2008 is 9%. Fujian Wide Plus was accredited as a hi-tech enterprise in December 2008. Hence, it was granted the tax benefit of reducing corporate income tax rate to 15% for the two years ending 31 December 2010 in accordance with "Notice of Approval for corporate income tax exemptions or reductions" (Rong Kai Guo Jian (2009) No. 159) (《減免税批准通知書》(榕開國減(2009)159 號)) issued by the State Tax Bureau of Fuzhou Economic and Technological Development Zone (福州經濟技術開發區國家税務局).

During the three financial years ended 30 June 2009, the Group's income tax accounted for 7.8%, 11.3% and [17.6]% of its profit before tax for the years, despite being profitable in each of those years and despite having a net profit margin in each of those years of 38.5%, [35.3%] and [32.3]%, respectively. For further information about this topic, please refer to the section headed "Business — Taxation — Income Tax" in this document as well as Section C Note 6(a) to the Accountants' Report attached as Appendix I hereto.]

Economic growth in the PRC

For the three financial years ended 30 June 2009, approximately 86.7%, 86.5% and [89.9]% of the Group's total turnover was derived from sales in the PRC (other than Hong Kong) while the remainder was derived from sales in Hong Kong. As a result, economic growth in the PRC has a direct impact on virtually all aspects of the Group's operations, including the level of demand for its high precision industrial automation instrument and technology products and horological instruments, the availability and prices of raw materials, as well as the level of other expenses, including labour costs. Notably, unit costs of labour rose over the Track Record Period. General economic growth in the PRC has a particularly acute impact on the demand for the Group's high precision industrial automation instrument and technology products, the end-users of which are in industries central to China's ongoing industrialisation and general economic growth, including iron and steel, petrochemicals, power generation, automotive and aviation industries.

According to the latest publicly available information announced by the National Bureau of Statistics of China, the year-to-year increase of GDP and industrial value added of the PRC for the [year] ended 31 December 2008 were approximately [9]% and [9.3]%, respectively and the producer price index for 2008 increased approximately 6.9%. [Further, reference is made to the disclosure in the section headed "Industry Overview" relating to the growth of GDP, fixed asset investment and industrial value added of the PRC from 2001 to [2008].] In view of the above, the Directors consider that there will have a relative stable economic growth and price level in the PRC in foreseeable future and there is no material adverse impact on the Group's financial performance and its operation because of the change of economic conditions and/or fluctuation of price in the PRC.

Average selling prices

The Directors believe that the average selling prices of the Group's plastic watch movements have fallen over the Track Record Period due to the decrease in the price of similar products, in general, internationally and in the PRC and that the Group's reduction of its selling prices to win market share in an intensely price competitive environment. If average selling prices of the Group's plastic quartz watch movements continue to decline and if the Group cannot secure the favourable prices of the raw materials with its suppliers, the Group's profitability may be harmed. Please refer to the section headed "Risk Factors" for details.

The following table shows the average selling prices of the Group's products for the years indicated:

	Year ended 30 June		
	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Average selling price (unaudited)[1]			
Principal High precision industrial automation instrument and technology products			
Detectors	[1,843.92]	[1,921.20]	[2,059.38]
Indicators	[450.78]	[446.95]	[447.83]
Controllers	[709.30]	[732.71]	[786.66]
Horological instruments	[2.62]	[2.06]	[1.85]

(1) Average selling price has been computed by dividing the turnover from sales of a particular product category in a given year by the units sold during that time.

Average selling prices of watch movements have fallen over the Track Record Period because the Group cut its selling prices to win market share in an intensely price competitive market. This price pressure made the manufacture of low-end quartz watch movements less profitable and has led several manufacturers of quartz watch movements exit this business. To the Group's knowledge, these changes in the market have left only [five] significant manufacturers of low-end quartz watch movements: [two] Japanese and [three] Chinese, including the Group. As a result of the fierce competition and decrease in demand in Group's horological instruments as a result of global financial crisis, the Directors expect that the demand for the Group's horological instruments will decrease in second half of the calendar year of 2010.

The average selling prices of high precision industrial automation instrument and technology products have remained (with a couple of exceptions) relatively stable over the Track Record Period, because the Group believed that if it increased its prices significantly, its sales would suffer, as some customers may opt to purchase equivalent products from foreign manufacturers, while others may opt to purchase lower priced products of inferior quality from other domestic Chinese manufacturers.

Average selling prices of these three sub-categories of the Group's high precision industrial automation instrument and technology products may not present the entire picture however, as within these categories, there may be several types of products each of whose prices are different and may vary widely. Therefore, some variance in the average selling prices in these three categories in the table above may reflect changing product mix within those categories over the Track Record Period, rather than changes of the prices of individual products over time.

During the Track Record Period, the average selling price of detectors of the Group increased from approximately RMB1,843.92 for the financial year ended 30 June 2007 to approximately RMB2,059.38 for the financial year ended 30 June 2009 was mainly attributable to the fact that during the Track Record Period, the increase in sales of [pressure transmitters] and the sales of [electromagnetic flow meters] by the Group, which selling price were higher. The average price of each class of detectors remained stable during the Track Record Period.

The sales of [pressure transmitters] of the Group were approximately RMB2.6 million, RMB16.9 million and RMB30.6 million, respectively, during the Track Record Period, which accounted for approximately 2.7%, 11.8% and 16.3% of the total sales of detectors of the Group, respectively, during the Track Record Period.

The sales of [electromagnetic flow meters] of the Group were approximately RMB0.7 million, RMB8.1 million and RMB29.9 million, respectively, during the Track Record Period, which accounted for approximately 0.7%, 5.6% and 15.9% of the total sales of detectors of the Group, respectively, during the Track Record Period.

During the Track Record Period, the average selling price of indicators of the Group remained stable.

During the Track Record Period, the average selling price of controllers of the Group increased gradually from approximately RMB[709.3] for the financial year ended 30 June 2007 to approximately RMB[786.66] for the financial year ended 30 June 2009. This was mainly attributable to the increase in sales of paperless recorders. The paperless recorder's average selling price is approximately RMB3,500 per unit which is the highest among the controllers sold by the Group. During the Track Record Period, the sales of paperless recorders was approximately RMB2.9 million, RMB19.2 million and RMB29.0 million, respectively, which accounted for approximately 2.4%, 12.9% and 21.5% of the total sales of controllers of the Group.

Financial presentation

The financial information has been prepared on the basis as if the current group structure had been in existence throughout the Track Record Period. The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group include the results of operations of the companies comprising the Group for the each of the years ended 30 June 2007, 2008 and 2009 (the "relevant period") (or where the companies were incorporated at a date later than [1 July 2006], for the period from their respective dates of incorporation to 30 June 2009) as if the current group structure had been in existence throughout the relevant period. The consolidated balance sheets of the Group as at 30 June 2007, 2008 and 2009 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates. All significant intra-group transactions and balances have been eliminated on combination.

Please refer to section A of the accountants' report set out in Appendix I to this document for further details.

Impact of The Recent Financial Crisis and Credit Crunch

Starting from September 2008, the global economy has been seriously affected by the financial crisis and credit crunch. The continual weak economic sentiment might result in significant decrease in demand from the Group's customers, and the credit crunch might affect the Group's financial resources due to reduction in availability of banking facilities. The Directors will therefore closely review the macro-economic environment and monitor the Group's financial position from time to time.

Description of Certain Income Statement Items

Turnover

The Group's turnover is derived from sales primarily inside the PRC (excluding Hong Kong), but an increasing minority of its turnover is derived from sales to Hong Kong as well. The Group now generates the majority of its annual turnover from the manufacture and sale of high precision industrial automation instrument and technology products (i.e. intelligent digital display, flow accumulate instruments, pressure transmitters and logging control instruments) and a minority of its annual turnover from the manufacture and sale of horological instruments.

The following table shows a breakdown of the Group's turnover by product category and by geographical locations for each of the three financial years ended 30 June 2009:

	Year ended 30 June					
	2007		**2008**		**2009**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
High precision industrial automation instrument and technology products	307,351	64.1	426,115	70.9	[462,425]	[74.6]
Horological instruments	171,900	35.9	174,789	29.1	[157,578]	[25.4]
TOTAL	**479,251**	**100**	**600,904**	**100**	**[620,003]**	**100**

	Year ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
The PRC (excluding Hong Kong)	415,712	519,657	557,493
Hong Kong	63,539	81,247	62,510
TOTAL	**479,251**	**600,904**	**620,003**

Cost of sales

During the three financial years ended 30 June 2009, the Group's cost of sales accounted for 53.7%, 52.9% and [52.2]% of its total annual turnover.

During the Track Record Period, the Group's cost of sales consisted primarily of direct materials costs, direct labour costs and water and electricity costs, as reflected in the following tables which shows a breakdown of the Group's cost of sales by major expense items for each of the years indicated.

	Year ended 30 June					
	2007		**2008**		**2009**	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Total cost of sales						
Direct materials	218.9	85.1	[271.7]	[85.5]	[283.7]	[87.6]
Direct labour	14.4	5.6	[13.9]	[4.3]	[12.7]	[3.9]
Water & electricity	5.5	2.1	[6.6]	[2.1]	[5.3]	[1.7]
Depreciation	5.4	2.1	[6.4]	[2.0]	[6.1]	[1.9]
Others	13.0	5.1	[19.3]	[6.1]	[16.0]	[4.9]
Total	257.2	100	317.9	100	[323.8]	100

	Year ended 30 June					
	2007		**2008**		**2009**	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Cost of sales of high precision industrial automation instrument and technological instruments						
Direct materials	146.2	93.9	[199.5]	[94.2]	[213.5]	[94.2]
Direct labour	3.3	2.1	[3.4]	[1.6]	[4.1]	[1.8]
Water & electricity	1.6	1.0	[1.3]	[0.6]	[1.2]	[0.5]
Depreciation	0.7	0.4	[0.7]	[0.3]	[0.9]	[0.4]
Others	4.0	2.6	[6.9]	[3.3]	[7.0]	[3.1]
Total	155.8	100	[211.8]	[100]	[226.7]	100

	Year ended 30 June					
	2007		2008		2009	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Cost of sales of horological instruments						
Direct materials	72.7	71.7	[72.2]	[68.0]	[70.2]	[72.3]
Direct labour	11.1	10.9	[10.5]	[9.9]	[8.6]	[8.8]
Water & electricity	3.9	3.9	[5.3]	[5.0]	[4.1]	[4.2]
Depreciation	4.7	4.6	[5.7]	[5.4]	[5.3]	[5.5]
Others	9.0	8.9	[12.4]	[11.7]	[8.9]	[9.2]
Total	101.4	100	[106.1]	[100]	[97.1]	100

Gross profit and gross profit margin

	Year ended 30 June					
	2007		2008		2009	
		Gross profit margin		**Gross profit margin**		**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Turnover	479,251		600,904		[620,003]	
Gross profit(1)	222,042	46.3	282,974	47.1	[296,241]	[47.8]

(1) Gross profit represents turnover less cost of sales.

For the three financial years ended 30 June 2009, the Group's gross profit margin increased from 46.3% to [47.8]%. The Group's gross profit margin increased between these years because the Group increased in the proportion of earning revenue from the sales of the high precision industrial automation instrument and technology products which had higher gross profit margin compared to that of horological instrument products.

For the three financial years ended 30 June 2009, the gross profit margin for the automation instrument and technology products increased but the gross profit margin of the horological instruments slightly decreased mainly due to the increase in production overhead.

	Year ended 30 June					
	2007		2008		2009	
Automation instrument and technology products		**Gross profit margin**		**Gross profit margin**		**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Segment turnover	307,351		426,115		[462,425]	
Segment gross profit(1)	151,501	49.3	[214,301]	[50.3]	[235,762]	[51.0]

(1) Segment gross profit represents segment turnover less segment cost of sales.

During the financial year ended 30 June 2008, the Group increased its sales of introduction of paperless recorders, pressure transmitters and flow detectors and, consequently, increased its sales of high precision industrial automation instrument and technology products by approximately 38.6% compared to those of the financial year ended 30 June 2007. At the same time, the Group continued to uphold the cost control measures in order to maintain the segment gross margin.

During the financial year ended 30 June 2009, the Group increased its sales of [electromagnetic flow meters], which increased its proportion to total segment sales of the Group from approximately [1.9]% during the financial year ended 30 June 2008 to approximately [6.5]% during the financial year ended 30 June 2009, and increased its sales of paperless recorders, which increased its proportion to total segment sales of the Group from approximately [4.5]% during the financial year ended 30 June 2008 to approximately [6.3]% during the financial year ended 30 June 2009. During the financial year ended 30 June 2009, the Group continued its cost control measures in order to maintain the segment gross margin.

Over the Track Record Period, the automation instrument and technology products segment gross profit increased in line with increase in sales while the average selling price remained relatively stable over the period as well as a stringent cost control on production and the Group could benefit from economy of scale as a result.

	Year ended 30 June					
	2007		2008		2009	
Horological instruments		**Gross profit margin**		**Gross profit margin**		**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Segment turnover	171,900		174,789		[157,578]	
Segment gross profit[(1)]	70,541	41.0	[68,673]	[39.3]	[60,479]	[38.4]

(1) Segment gross profit represents segment turnover less segment cost of sales.

The segment gross profit of horological instruments has been gradually decreased over the Track Record Period because average selling prices per unit thereof also gradually decreased from RMB[2.62] to RMB[1.85] from 2007 to 2009. The Group cut its selling prices to win market share in an intensely price competitive market.

Distribution costs

Over the Track Record Period, the Group's distribution costs consisted primarily of wages, advertising fees and trade exhibition expenses, traveling expense and warranty provision. During the three financial years ended 30 June 2009, the Group's distribution costs accounted for 0.6%, 0.7% and [0.6]% of its total turnover.

Administrative expenses

Over the Track Record Period, the Group's administrative expenses consisted primarily of wages and other staff costs, including equity-settled share-based payment expenses in relation to the Pre-IPO Share Option Scheme granted by the Company, office expenses, rental expenses and R&D costs. During the three financial years ended 30 June 2009, the Group's administrative expenses accounted for 2.7%, 4.3% and [7.3]% of its total turnover.

Other expenses

Over the Track Record Period, the Group's other expenses represented the provisions for maximum late charges and fines in relation to the non-contributions of the medical insurance provision and housing fund.

Finance costs

Over the Track Record Period, the Group's finance costs consisted of interest on bank borrowings wholly repayable within five years. During the three financial years ended 30 June 2009, the Group's finance costs accounted for 0.4%, 0.5% and [0.9]% of its total turnover.

Income tax

Over the Track Record Period, the Group's income tax consisted of current and deferred tax. During the three financial years ended 30 June 2009, the Group's income tax accounted for 3.2%, 4.5% and [6.9]% of its total turnover.

Details of income tax and related information are set out in note 6 to the Accountants' Report in Appendix I to this document, in which the following items are included:

"Tax concessions" — the amount represents the tax concessions granted by the local tax authority to Fujian Wide Plus of the Group.

"Non-deductible expenses" — the amount mainly comprises the provision of late charges and fines arising from non-contribution of medical insurance and housing fund as discussed in section headed "Business" in this document.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations contained elsewhere in this document are based on the consolidated financial statements which have been prepared in accordance with HKFRSs. The reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, the management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 1 of the Accountants' Report as included in Appendix I to this document. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

Impairment of assets

If circumstances indicate that the net book value of property, plant and equipment may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognized in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets or cash-generating units are not readily available. In determining the value in use, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgment relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions, sales volume, selling price and amount of operating costs. An increase or decrease in the impairment loss would affect the net profit in future years.

Impairment of trade receivables for bad and doubtful debts

The Group estimates impairment of trade receivables for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases their estimates on the aging of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. An increase or decrease in the impairment loss would affect the net profit in future years.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the track record period. The useful lives are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. There have been no significant changes to the estimated useful lives and residual values during the track record period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Group estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value.

Results of Operations

The following table shows the line items of the Group's income statements expressed as a percentage of turnover for the years indicated:

	Year ended 30 June		
	2007	**2008**	**2009**
	(in percentage)	*(in percentage)*	*(in percentage)*
Turnover	100	100	100
Cost of sales	53.7	52.9	[52.2]
Gross profit	46.3	47.1	[47.8]
Other revenue	0.4	0.2	[0.2]
Other expenses	(1.2)	(1.6)	[—]
Other net (losses)/gain	—	(0.5)	[—]
Distribution costs	(0.6)	(0.7)	[(0.6)]
Administrative expenses	(2.7)	(4.3)	[(7.3)]
Profit from operations	42.2	40.3	[40.1]
Finance costs	(0.4)	(0.5)	[(0.9)]
Profit before taxation	41.8	39.8	[39.2]
Income tax	(3.2)	(4.5)	[(6.9)]
Profit for the year	38.5	35.3	[32.3]

Financial Year Ended 30 June 2009 Compared with the Financial Year Ended 30 June 2008

Turnover

The Group's total turnover increased slightly by approximately RMB19.1 million, or approximately 3.2%, from approximately RMB600.9 million to approximately RMB620.0 million as a result of the growth of the Group's operation and partly offset by the economic downturn of the PRC.

The percentage of the Group's total turnover derived from sales of high precision industrial automation instrument and technology products increased from approximately 70.9% for the financial year ended 30 June 2008 to approximately 74.6%, while the percentage of the Group's total turnover derived from sales of horological instruments decreased from approximately 29.1% for the financial year ended 30 June 2008 to approximately 25.4% for the financial year ended 30 June 2009.

[During the Track Record Period, the increase in the turnover from high precision industrial automation instrument and technology products was mainly due to the increase in sales of products with higher selling price. The Group increased its sales of [electromagnetic flow meters], which percentage accounted for total segment sales of the Group increased from approximately [1.9]% during the financial year ended 30 June 2008 to approximately [6.5]% during the financial year ended 30 June 2009, and increased its sales of paperless recorders, which increased its proportion to total segment sales of the Group from approximately [4.5]% during the financial year ended 30 June 2008 to approximately [6.3]% during the financial year ended 30 June 2009.

[During the Track Record Period, the decrease in turnover from horological instruments was mainly due to fierce market competition as well as the economic downturn which resulted in declining average selling price of the horological instruments.]

High precision industrial automation instrument and technology products on average also enjoy higher profit margins in comparison to horological instruments, the Group therefore increased resources and efforts toward the development of the high precision industrial automation instrument and technology product segment.

Cost of sales

From the financial year ended 30 June 2008 to the financial year ended 2009, the Group’s cost of sales slightly increased by approximately RMB5.8 million, or approximately 1.8% from RMB317.9 million to approximately RMB323.8 million. During the year, the Group enjoyed stable direct material cost during the financial year ended 30 June 2009.

During the financial year ended 30 June 2009, the cost of sales maintained stable at approximately [52.2]% of the total turnover of the Group.

Gross profit

From the financial year ended 30 June 2008 to the financial year ended 30 June 2009, the Group’s gross profit increased by approximately RMB13.3 million, or approximately [4.7]%, from approximately RMB283.0 million to approximately RMB296.2 million and the Group’s gross profit margin increased from approximately [47.1]% to approximately [47.8]%. During the financial year ended 30 June 2009, the Group continued its cost control measures in order to maintain the Group’s gross profit margin.

Other revenue

The Group’s other revenue for the financial year ended 30 June 2009 was approximately RMB[1.4] million which represented bank interest income and remained stable when compared with that of 2008.

Other expenses

During the financial year ended 30 June 2008, the Group had commenced its contributions of housing fund and medical insurance since May 2008 and June 2008, respectively, and the Group continued to make contributions of housing fund and medical insurance during the financial year ended 30 June 2009. Therefore, the Group did not incur any late charges and penalties related to the non-contributions of housing fund and medical insurance during the financial year ended 30 June 2009, which were classified as other expenses in the financial year ended 30 June 2008.

Other net (losses)/gain

During the financial year ended 30 June 2009, the Group’s other net gain was approximately RMB0.06 million which represented the exchange gain of the Group during the year.

Distribution costs

During the financial year ended 30 June 2009, the Group's distribution costs was approximately RMB3.8 million, which represented a decrease of approximately [3.5]%, as compared to approximately RMB4.0 million for the financial year ended 30 June 2008. It was mainly attributable to the decrease of the transportation cost and staff business trip expenses incurred during the financial year ended 30 June 2009.

Administrative expenses

During the financial year ended 30 June 2009, the Group's administration expenses increased from approximately RMB[25.7] million for the financial year ended 30 June 2008 to approximately RMB[45.3] million for the financial year ended 30 June 2009, which represented an increase of approximately [76.6]%. The increase was mainly attributable to the fact that (i) the Group incurred full year office rental of approximately RMB[1.0] million in Hong Kong during the financial year ended 30 June 2009; and (ii) the increase in equity-settled share-based payment expenses of RMB17.8 million in relation to the Group's Pre-IPO Share Option Scheme.

Profit from operations

Consequential to the factors discussed above, the Group's profit from operations increased from approximately RMB241.9 million for the year ended 30 June 2008 to approximately RMB[248.6] million for the year ended 30 June 2009, which represented an increase of approximately [2.7]%. The Group's operating margin (profit from operations expressed as a percentage of total turnover) decreased slightly by approximately [0.2]% from approximately 40.3% for the financial year ended 30 June 2008 to approximately [40.1]% for the financial year ended 30 June 2009.

Finance costs

During the financial year ended 30 June 2009, the Group incurred finance costs of approximately RMB[5.8] million, which represented an increase of approximately [96.8]% as compared with the same incurred during the financial year ended 30 June 2008. The increase was mainly attributable to the increase of the average outstanding balance of bank loan in the year ended 30 June 2009.

Profit before taxation

As a result of the factors discussed above, the Group's profit before taxation increased by approximately [1.6]% from approximately RMB239.0 million for the financial year ended 30 June 2008 to approximately RMB242.8 million for the financial year ended 30 June 2009.

Income tax

During the financial year ended 30 June 2009, the Group's income tax expenses was approximately RMB[42.8] million, which represented an increase of approximately [59.1]% from approximately RMB26.9 million for the year ended 30 June 2008. The increase was mainly attributable to the increase in applicable tax rate of Fujian Wide Plus from 9% in 2008 to 15% in 2009 and the full year impact of the deferred tax recognized on 5% of unremitted profits by Fujian

Wide Plus to Wide Plus High Precision. Consequently, the effective tax rate of the Group increased from approximately 11.3% for the year ended 30 June 2008 to approximately 17.6% for the year ended 30 June 2009.

Please refer to the section headed "Business — Taxation — Income Tax" for details of the increase in applicable tax rates and refer to the section headed "Financial Information — Liquidity and Capital Resources — Deferred tax liabilities" for details of the withholding tax on unremitted profits from Fujian Wide Plus.

Profit for the year

As a result of the factors discussed above, the Group's profit decreased by approximately [5.7]% from approximately RMB212.1 million to approximately RMB[200.0] million. The Group's net profit margin decreased from approximately 35.3% for the financial year ended 30 June 2008 to approximately [32.3]% for the financial year ended 30 June 2009 which was in line with the business development of the Group during the financial year ended 30 June 2009.

Dividend

For the financial year ended 30 June 2009, the Group declared and paid a dividend of approximately RMB230.3 million.

Financial Year Ended 30 June 2008 Compared with the Financial Year Ended 30 June 2007

Turnover

From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's total turnover increased by approximately RMB121.6 million, or 25.4%, from approximately RMB479.3 million to approximately RMB600.9 million. [This increase was attributable to an increase of approximately RMB118.8 million in turnover from sales of high precision industrial automation instrument and technology products during the year, while turnover from sales of horological instruments slightly increased by approximately RMB2.9 million.]

[The percentage of the Group's total turnover derived from sales of high precision industrial automation instrument and technology products increased from approximately 64.1% for the financial year ended 30 June 2007 to approximately 70.9% for the financial year ended 30 June 2008, while the percentage of the Group's total turnover derived from sales of horological instruments [decreased from approximately 35.9% for the financial year ended 30 June 2007 to approximately 29.1% for the financial year ended 30 June 2008.]

Cost of sales

From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's cost of sales increased by approximately RMB60.7 million, or approximately 23.6%, from approximately RMB257.2 million to approximately RMB317.9 million. [This increase was primarily attributable to an approximately RMB[53.3] million increase in direct materials costs relating to high precision industrial automation instrument and technology products, whose costs increased principally because of increase in unit sales.]

[As a percentage of total turnover, cost of sales decreased slightly from approximately 53.7% for the financial year ended 30 June 2007 to approximately 52.9% for the financial year ended 30 June 2008.]

Gross profit

From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's gross profit increased by approximately RMB61.0 million, or approximately 27.5%, from approximately RMB222.0 million to approximately RMB283.0 million, and the Group's gross profit margin increased from approximately 46.3% to approximately [47.1]%.

Other revenue

The Group's other income decreased from approximately RMB2.0 million for the financial year ended 30 June 2007 to approximately RMB1.4 million for the financial year ended 30 June 2008. [The decrease was mainly attributable to decrease in government grants received from approximately RMB511,000 for the financial year ended 30 June 2007 to approximately RMB6,000 for the financial year ended 30 June 2008.]

Other expenses

[From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's other expenses increased by approximately RMB3.9 million, or 67.2%, from approximately RMB5.8 million to approximately RMB9.7 million, primarily attributable to the increase of late charges and penalties related to the non-contributions of medical insurance and housing fund.]

Other net losses

[The Group's other net losses increased by approximately RMB3.0 million, from approximately RMB0.1 million to approximately RMB3.1 million, because of the increase of foreign currency exchange losses relating to appreciation of the Renminbi.]

Distribution costs

[From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's distribution costs increased by approximately RMB0.9 million, or 29.0%, from approximately RMB3.1 million to approximately RMB4.0 million, primarily because the increase in travelling and entertainment expenses.]

Administrative expenses

[From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's administrative expenses increased by approximately RMB12.9 million, or 100.8%, from approximately RMB12.8 million to approximately RMB25.7 million, because of increase in a number of expense categories, notably approximately RMB[4.4 million] increase in expenses relating to the new intermediate and ultimate holding companies, approximately RMB[1.0 million] increase in wages of the PRC staff, an increase of approximately RMB4.8 million in equity-settled share-based payment expenses, and an increase of approximately RMB1.6 million in R&D costs.]

Profit from operations

[As a result of the factors discussed above, from the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's profit from operations increased by approximately RMB39.7 million, or approximately 19.6%, from approximately RMB202.2 million to approximately RMB241.9 million, however the Group's operating margin (profit from operations expressed as a percentage of total turnover) slightly decreased from approximately 42.2% to approximately 40.3%.]

Finance costs

[From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's finance costs increased by approximately RMB0.9 million, or approximately 45.0%, from approximately RMB2.0 million to approximately RMB2.9 million, because of increase in the average outstanding balance of bank borrowings wholly repayable within five years.]

Profit before taxation

As a result of the factors discussed above, from the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's profit before taxation increased by approximately RMB38.8 million, or approximately 19.4%, from approximately RMB200.2 million to approximately RMB239.0 million.

Income tax

From the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's income tax increased by approximately RMB11.3 million, or approximately 72.4%, from approximately RMB15.6 million to approximately RMB26.9 million.

[Effective tax rate for the Group increased from approximately 7.8% for the financial year ended 30 June 2007 to approximately 11.3% for the financial year ended 30 June 2008, the increase was mainly arisen from the increase in applicable tax rate of Fujian Wide Plus from 7.5% to 9% effective from 1 January 2008 and the deferred tax recognised on 5% of unremitted profits by Fujian Wide Plus to Wide Plus High Precision for the 6 months ended 30 June 2008.]

Profit for the year

[As a result of the factors discussed above, from the financial year ended 30 June 2007 to the financial year ended 30 June 2008, the Group's profit increased by approximately RMB27.5 million, or 14.9%, from approximately RMB184.6 million to approximately RMB212.1 million, whereas the Group's net profit margin decreased from approximately 38.5% to approximately 35.3% mainly because of the increase in administrative expenses.]

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations, the issuance of new shares and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs, payment for purchases of property, plant and equipment, and repayment of bank loans.

Liquidity Ratios and Other Key Financial Ratios

	Year ended 30 June		
	2007	**2008**	**2009**
Inventory turnover days(1)	45.2 days	36.3 days	[40.1]days
Trade receivables turnover days(2)	91.0 days	121.9 days	[153.3]days
Trade payables turnover days(3)	84.8 days	89.3 days	[126.9]days
Current ratio(4)	2.5	2.4	[1.9]
Gearing ratio(5)	10.2%	12.4%	[15.8]%

Notes:

1. Inventory turnover days is calculated based on the average inventory divided by the total purchases during the year and multiplied by the number of days during the year. Average inventory represents the average of beginning and ending inventory balances for the year.

2. Trade receivables turnover days is calculated based on the average gross trade receivables divided by the turnover during the year and multiplied by the number of days during the year. Average gross trade receivables represents the average of beginning and ending gross trade receivables for the year.

3. Trade payables turnover days is calculated based on the average trade payables divided by the total purchases during the year and multiplied by the number of days during the year. Average trade payables represents the average of beginning and ending trade payables for the year.

4. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

5. Gearing ratio is calculated based on the total debts divided by the total assets at the end of the year and multiplied by 100%. Total debts include payables incurred not in the ordinary course of business.

Net Current Assets

As at 30 June 2009, the Group had net current assets of approximately RMB[246.2] million. The Group's current assets primarily comprised cash and cash equivalents of approximately RMB[203.5] million, and trade and other receivables of approximately RMB[289.9] million. The Group's current liabilities mainly comprised short term bank loans of approximately RMB[79.0] million, and trade and other payables of approximately RMB[159.0] million.

As at 30 June 2008, the Group had net current assets of approximately RMB284.1 million. The Group's current assets primarily comprised cash and cash equivalents of approximately RMB191.7 million, and trade and other receivables of approximately RMB264.0 million. The Group's current liabilities mainly comprised short term bank loans of approximately RMB56.0 million, and trade and other payables of approximately RMB124.9 million.

As at 30 June 2007, the Group had net current assets of approximately RMB194.2 million. The Group's current assets primarily comprised cash and cash equivalents of approximately RMB153.9 million, and trade and other receivables of approximately RMB141.9 million. The Group's current liabilities mainly comprised short term bank loans of approximately RMB21.8 million, and trade and other payables of approximately RMB85.3 million.

Although the Group has historically been able to satisfy its working capital needs from cash flow from operations, its ability to complete the construction of its new factory and production facilities in Fuzhou may depend on its ability to finance these activities through the issuance of equity securities, long-term borrowings and the issuance of convertible bond and other debt securities. If adequate funds are not available, whether on satisfactory terms or at all, the Group may be forced to curtail its expansion plans. The Group's ability to meet its working capital needs from cash flow from operations will be affected by the general growth of the broader Chinese economy, which in turn may be affected by several factors. Many of these factors are outside of its control, such as economic downturns or dramatic changes in consumer preferences for the products sold by the Group. To the extent that the Group does not generate sufficient cash flow from operations to meet its cash requirements, it may rely on external borrowings and securities offerings.

FINANCIAL INFORMATION

[As at [30 June] 2009, being the date for preparation of the working capital sufficiency statement in this document, the Group had net current assets of approximately RMB[246.2] million, comprising current assets of approximately RMB[522.0] million and current liabilities of approximately RMB[275.8] million. [The Group's inventories as at [30 June] 2009 was approximately RMB[28.6] million. Trade and other receivables was approximate RMB[289.9] million. Cash and cash equivalents was RMB[203.5] million as at 30 June 2009. The Group's short term bank loans was approximately RMB[79.0] million as at 30 June 2009. The Group does not plan to secure additional bank loans after [30 June] 2009. Trade and other payables was approximate RMB[159.0] million as at 30 June 2009. The amount due to shareholder of the Company and a related party was approximately RMB[5.7] million and RMB[20.4] million, respectively as at [30 June] 2009 and it is expected to be fully repaid before the [●]. Other than the above, (i) the Directors consider that there are no material changes in the underlying drivers of the sources and uses of cash of the Group; (ii) the Directors do not aware that the Group has any events affecting the liquidity of the Group; and (iii) the Directors consider that, save as disclosed in the section headed "History and Development" in this document in relation of issue of the convertible bond to Standard Bank Asia Limited, based on the latest information, as at [30 June] 2009, the Group does not need to have further external debt financing. The following table sets out the composition of the unaudited current assets and liabilities as at [30 June] 2009:

	RMB'000 (unaudited)
Current assets	
Inventories	[28,630]
Trade and other receivables	[289,875]
Cash and cash equivalents	[203,474]
	[521,979]
Current liabilities	
Bank loans	[78,997]
Trade and other payables	[159,011]
Amount due to shareholder of the Company	[5,731]
Amount due to a related party	[20,413]
Current taxation	[10,587]
Provision for warranty	[1,055]
	[275,794]
Net current assets	[246,185]

Cash Flows

	Year ended 30th June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Selected Consolidated Cash Flow Statement Data			
Net cash generated from operating activities	184,104	136,781	[262,520]
Net cash used in investing activities	(17,048)	(30,029)	[(46,798)]
Net cash used in financing activities	(250,246)	(68,959)	[(203,949)]

Net cash generated from operating activities

Cash generated from operating activities mainly represents receipt of cash from trade debtors for sales of products. Cash used in operating activities mainly represents payments to trade creditors for purchases of raw materials.

During the financial year ended 30 June 2009, the profit generated from the Group's ordinary activities before taxation increased to approximately RMB242.8 million, net cash generated from operating activities increased to approximately RMB262.5 million. This was mainly attributable to the increase of the credit terms granted by the Group's suppliers from 90 days to 120 days, being partly offset by the granting of longer credit period by the Group to its customers from 90 days to 120 days to from 120 days to 150 days as a result of economic downturn in the PRC.

For the financial year ended 30 June 2008, although profit before taxation increased from approximately RMB200.2 million for the financial year ended 30 June 2007 to approximately RMB239.0 million, net cash generated from operating activities decreased from approximately RMB184.1 million to approximately RMB136.8 million. The effect of increase in profit before taxation for the financial year ended 30 June 2008 was mainly offset by (i) increase in trade and other receivables of approximately RMB123.9 million; (ii) increase in inventories of approximately RMB10.8 million for the same year; and (iii) the increase in trade and other payables of approximately RMB36.4 million.

The increase in trade and other receivables was principally because the Group had lengthened the credit terms offered to selected distributors with good credit history and good sales growth track record to the maximum of 150 days in 2007. As the average credit terms granted were lengthened, settlements were correspondingly longer and hence slower in the year ended 30 June 2008 compared with prior years. Increase in inventories was mainly attributable to increase utilisation of production facilities and was in line with increase in sales. [The increase in trade and other payables was principally because of late charges and penalties relating to the late payment of medical insurance and housing fund increased.]

Net cash used in investing activities

During the financial year ended 30 June 2009, the Group's net cash outflow from investing activities was approximately RMB[46.8] million, which was mainly attributable to the capital expenditure incurred by the Group for the construction of first phase of the New Factory for the expansion of the production capacity of existing products of the Group.

[The Group's net cash used in investing activities was approximately RMB30.0 million for the financial year ended 30 June 2008, which was principally due to payment for construction in progress in the financial year ended 30 June 2008 relating to construction of new manufacturing facilities.]

The Group's net cash used in investing activities was approximately RMB17.0 million for the financial year ended 30 June 2007, which was primarily consist of payment for lease prepayment and purchase of property, plant and equipment.

Net cash generated from/used in financing activities

During the financial year ended 30 June 2009, the Group's net cash outflow from financing activities was approximately RMB[203.9] million, which was mainly attributable to the payment of approximately RMB230.3 million as dividend to the Shareholders.

The Group's net cash used in financing activities was approximately RMB[69.0] million for the financial year ended 30 June 2008, which was mainly due to repayment of amount due to shareholders of the Company of approximately RMB[104.5 million], the payment was partially offset by the proceeds from new bank loans made. The Group's net cash used in financing activities was approximately RMB250.2 million for the year ended 30 June 2007, which was mainly due to a payment of approximately RMB280.9 million dividend during that year.

Capital Expenditures

Throughout the Track Record Period, the Group has made capital expenditures, typically in connection with the expansion of its production capacities. These capital expenditures amounted to approximately RMB38.0 million, RMB37.7 million and RMB[48.2] million as at 30 June 2007, 2008 and 2009, respectively.

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
For high precision industrial automation instrument and technology products	13,139	33,270	[42,615]
For horological instruments	24,868	4,477	[5,619]
	38,007	37,747	[48,234]

Capital Commitments

[Throughout the Track Record Period, the Group has made commitments to future capital expenditures. The commitments were related to the construction of the new factory. These commitments are enumerated in the following table:]

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	46,842	[12,480]
Authorised but not contracted for	256,650	181,970	[184,127]
	256,650	228,812	[196,607]

The capital commitment as at 30 June 2009 is financed by the Group's internal resources and application of the net proceeds of the convertible bonds.

Amounts due from Related Parties

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
— Wide Plus Precision Instruments Company Limited ("Wide Plus")	1,544	—	[—]
— Lucky Strong Technologies Limited ("Lucky Strong")	363	—	[—]
	1,907	—	[—]

The amounts due from related parties consists of two parts, namely, amounts due from Wide Plus and amounts due from Lucky Strong.

[Amounts due from Wide Plus represented (i) the capital contributions from Wide Plus to Fujian Wide Plus in 2005; (ii) prepayment for purchase of property, plant and equipment amounted to approximately RMB4.9 million in the year ended 30 June 2005; and (iii) settlement of promotional expenses on the Group's behalf amounted to approximately RMB0.2 million.]

The purchase arrangement was properly approved by the senior management of Fujian Wide Plus and was properly documented.

The purchase of property, plant and equipment by the related parties on the Group's behalf will not be made after the [●] as this can be done by the Hong Kong subsidiary if the Group has such needs in the future.

The amounts due from Lucky Strong represented the prepayments made by the Group to the related parties for purchase of machineries, which has disclosed in the Accountants' Report in Appendix I. The related parties are incorporated in Hong Kong. As the purchases can be made easier in Hong Kong than in the PRC, the Group had arranged with the two related parties for such purchases.

As advised by the Group's PRC legal advisers, regarding the amounts due from Wide Plus and the amounts due from Lucky Strong, in view of the nature of the balances, they were not classified as advances to related parties and the Shareholders in the context of the PRC laws and regulations. Therefore, they are not required to comply with the relevant legal requirements of the PRC in the respect of advances to related parties and the Shareholders.

Inventories

[The Group's inventories stood at the level of approximately RMB28.6 million as at 30 June 2009. Such was mainly attributable to the fact that the Group maintained the level of raw materials and consumables at approximately RMB[19.9] million in order to match with the sales orders of the Group during the same period.]

[The Group's inventories increased from approximately RMB22.5 million as at 30 June 2007 to approximately RMB33.4 million as at 30 June 2008, primarily because raw materials and consumables increased by approximately RMB6.8 million as at 30 June 2008 compared to 30 June 2007,] and the Group had to maintain a sufficient level of raw materials and consumables for manufacturing purpose. Subsequent usage/sales of inventories at 30 June 2009 amounted to approximately RMB[25.5] million up to [31 July] 2009 which represented [89.2]% of the year end balance.

	As at 30 June			Subsequent utilisation up to	Subsequent utilization
	2007	**2008**	**2009**	**[31 July] 2009**	**Approximate**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Raw materials and consumables	14,534	21,364	[19,932]	[16,829]	[84.4]
Work in progress	2,547	5,972	[2,969]	[2,969]	[100.0]
Finished goods	5,432	6,019	[5,729]	[5,729]	[100.0]
	22,513	33,355	[28,630]	[25,527]	[89.2]

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 to 180 days	22,479	[29,689]	[28,621]
181 days to 365 days	32	3,666	[9]
Over 365 days	2	—	[—]
	22,513	[33,355]	[28,630]

The table below sets forth the Group's turnover of average inventory for the years indicated:

	Year ended 30 June		
	2007	**2008**	**2009**
Turnover of average inventory (days) *(Note)*	45.2	36.3	[40.1]

Note: Turnover of average inventory (days) equals average inventory divided by purchases and then multiplied by 365 for the each of three financial years ended 30 June 2009. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year, divided by two.

Turnover of inventory as at 30 June 2007 was higher than the same as at 30 June 2008 because the Group had an unusually high balance of finished goods as at that date which was consequential to a dispute with a customer over price which had been settled during the financial year ended 30 June 2006. Therefore, the Group had to hold an inventory of finished goods for that customer longer than it normally would have.

Turnover of inventory as at 30 June 2009 was considered to be stable because during the financial year ended 30 June 2009, the Group maintained a level of inventory in order to enable the Group to meet the sales orders of the Group's products.

Trade and Other Receivables

The Group's trade and other receivables increased from approximately RMB264.0 million as at 30 June 2008 to approximately RMB[289.9] million as at 30 June 2009 which was mainly attributable to the fact that during the financial year ended 30 June 2009, as a result of the economic downturn of the PRC, the Group had extended the credit terms offered to selected distributors with good credit history and good sales track record from 90 days to 120 days to 120 days to 150 days. As a result, the settlements of the trade debtors took longer time when compared with the same period ended 30 June 2008.

The Group's trade and other receivables increased from approximately RMB141.9 million as at 30 June 2007 to approximately RMB264.0 million as at 30 June 2008, primarily because the value of those due more than three months but less than 1 year increased by approximately RMB[71.3 million] as at 30 June 2008 when compared to 30 June 2007, and the Group had lengthened the credit terms offered to selected distributors with good credit history and good sales growth track record to the maximum of 150 days in 2007. As the average credit terms granted were lengthened, settlements were correspondingly longer and hence slower in the year ended 30 June 2008 compared with prior years.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. As at [31 July] 2009, approximately RMB[56.1] million or approximately [21.5]% of the outstanding balance of trade receivable as at 30 June 2009 is subsequently settled. Remaining trade debtors of approximately RMB[201.9] million are expected to be settled within the year of 2009.

An ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	127,119	[172,532]	[184,616]
More than 3 months but less than 1 year	11,511	[82,856]	[71,046]
1 year to 2 years	—	[—]	[2,344]
	138,630	[255,388]	[258,006]

The table below sets forth the Group's turnover of average trade receivables for the years indicated:

	Year ended 30 June		
	2007	**2008**	**2009**
Turnover of average trade receivables (days) *(Note)*	91.0	121.9	[153.3]

Note: Turnover of average trade receivables (days) equals average gross trade receivables divided by sales and then multiplied by 365 for the each of three financial years ended 30 June 2009. Average trade receivables equals gross trade receivables at the beginning of the year plus gross trade receivables at the end of the year, divided by two.

In 2007, the Group had lengthened the credit terms offered to selected distributors with good credit history and good sales growth track record to the maximum of 150 days. As the average credit terms granted were lengthened, settlements were correspondingly longer and hence slower in the year ended 30 June 2007 compared with prior years. All trade receivables have been subsequently settled and hence there has been no deterioration of the credit quality of the receivables. Nevertheless, the debtors' turnover days are still within the credit periods granted to the customers by the Group, i.e. 90–150 days.

[Turnover of trade receivables for the financial year ended 30 June 2008 increased because the settlement of the customers slowed down as [the Group had lengthened the credit terms offered to selected distributors with good credit history and good sales growth track record to the maximum of 150 days in 2007. As the average credit terms granted were lengthened, settlements were correspondingly longer and hence slower in the year ended 30 June 2008 compared with prior years].

[Turnover of trade receivables for the financial year ended 30 June 2009 increased because the settlement of the customers slowed down as [the Group had lengthened the credit terms offered to selected distributors with good credit history and good sales growth track record from 120 days to the maximum of 150 days in 2008. As the average credit terms granted were lengthened, settlements were correspondingly longer and hence slower in the year ended 30 June 2009 compared with prior years].

Despite the increase of the year-to-year turnover of trade receivables over the Track Record Period, no deterioration in the quality of the receivables or credit-worthiness of debtors was noted because (i) except for few number of customers with full provision for impairment of bad and doubtful debts of approximately RMB3.7 million made for the financial year ended 30 June 2007, all customers have no bad debt history; (ii) the turnover days were within the credit period granted (i.e. 120–150 days); and (iii) approximately RMB[56.1] million i.e. [21.5]% of the trade receivables as at 30 June 2009 was subsequently settled as at [31 July] 2009 that was also broadly in line with the credit period granted.]

Trade and Other Payables and Deferred Tax Assets

The Group's trade and other payables increased from approximately RMB124.9 million as at 30 June 2008 to approximately RMB159.0 million as at 30 June 2009, mainly due to the fact that the Group has obtained extended credit period from its major suppliers from 90 days to 120 days due to the economic downtown in the PRC during the financial year ended 30 June 2009.

[The Group's trade and other payables increased from approximately RMB85.3 million as at 30 June 2007 to approximately RMB124.9 million as at 30 June 2008, primarily because (i) the balance of trade payables due within three months increased by approximately RMB18.7 million as at 30 June 2008 when compared to 30 June 2007, which was broadly in line with the increase in turnover (and thus production) between these years; and (ii) the increase in provision for medical insurance and housing fund and related late charges of approximately RMB14.1 million.

The Group's provision for medical insurance and housing fund as at 30 June 2007, 2008 and 2009 were approximately RMB8.5 million, RMB12.9 million and RMB[12.9] million, respectively, which represented one of the reasons for the continued increase in the balance of trade and other payables during the Track Record Period. Furthermore, since the provision will be tax deductible on future settlements to the relevant medical insurance and housing fund management centres, deferred tax assets arising from such provisions were recognised in the balance sheets with applicable tax rates of 7.5%, 9.0% and [15]% as at 30 June 2007, 2008 and 2009, respectively. As the provisions increased, which was in line with the increase in salaries for more workers employed, during the Track Record Period, deferred tax assets for the Group increased from RMB[0.8] million as at 30 June 2007 to approximately RMB2.7 million as at 30 June 2009. As a result of the impact of the new CIT Law as discussed in Appendix I Section C note 6(a)(iv) to this document, deferred tax assets of the Group increased from approximately RMB0.8 million as at 30 June 2007 to approximately RMB1.6 million as at 30 June 2008 to adjust the balance using applicable tax rate of 9%.

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	56,770	80,756	[115,280]
Retirement benefit contributions, fines and late charges payable	17,711	31,850	31,850
Other payables and accruals	10,780	12,320	11,881
	85,261	124,926	[159,011]

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date. The credit periods granted by various suppliers generally range from 90 days to 120 days.

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Due within 3 months	56,352	75,072	[91,581]
Due after 3 months but within 6 months	130	5,168	[23,699]
Due after 6 months but within 1 year	285	300	[—]
Due after 1 year but within 2 years	3	216	[—]
	56,770	80,756	[115,280]

The table below sets forth the Group's turnover of average trade payables for the years indicated:

	Year ended 30 June		
	2007	**2008**	**2009**
Turnover of average trade payables (days) *(Note)*	84.8	89.3	[126.9]

Note: Turnover of average trade payables (days) equals average trade payables divided by purchases and then multiplied by 365 for the each of three financial years ended 30 June 2009. Average trade payables equal trade payable at the beginning of the year plus trade payable at the end of the year, divided by two.

As a result of the Group has obtained extension of credit period from its major suppliers from 90 days to 120 days due to the economic downtown in the PRC during the financial year ended 30 June 2009, the turnover of trade payables for the financial year ended 30 June 2009 increased accordingly.

Bank Borrowings and Gearing Ratios

The following table sets out an analysis of the Group's bank borrowings during the Track Record Period:

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	21,808	56,024	[78,997]
After 1 year but within 2 years	3,808	—	[—]
	3,808	—	[—]
	25,616	56,024	[78,997]

Bank borrowings increased to approximately RMB56.0 million as at 30 June 2008 from approximately RMB 25.6 million as at 30 June 2007 because new loans were raised by the Group for working capital during the year.

The Group's bank borrowings increased to approximately RMB79.0 million as at 30 June 2009 because the Group raised new loans for financing the Group's working capital.

[The gearing ratio was maintained at below 16% during the Track Record Period, the relatively steady gearing ratios represented the relative increase in total assets and bank borrowings during the years to enable the Group making use of the borrowings for expansion.]

As a result of the new loans raised by the Group during the financial year ended 30 June 2009, the gearing ratio increased to approximately [15.8]%.

Deferred Tax Liabilities

The Group's deferred tax liabilities as at 30 June 2009 mainly arose from the temporary differences relating to unremitted profits for Fujian Wide Plus of the Group for the year ended 30 June 2009.

Under the new CIT Law, payments of dividends from a PRC enterprise to overseas shareholders in respect of profits earned from 2008 onwards is subject to withholding tax at 10% of the dividends paid. For Hong Kong companies that invested in the PRC, the applicable dividend withholding tax rate would be determined under the PRC/Hong Kong Double Tax Arrangement ("the PRC/HK DTA"). Under the PRC/HK DTA, the withholding tax rate would be reduced to 5%, provided that the Hong Kong company holds at least 25% of the capital of the PRC enterprise and is the beneficial owner of the dividends.

Since Fujian Wide Plus is wholly owned by the Group's Hong Kong subsidiary, Wide Plus High Precision, any post-2008 dividends paid by Fujian Wide Plus will be subject to withholding tax at 5%. Accordingly, 5% of the unremitted profits from Fujian Wide Plus is recognised as deferred tax liabilities commencing from 1 January 2008.

Market Risks

Interest rate risk

The Group is exposed to limited interest rate risk, as its outstanding bank loans have floating interest rates. The secured bank loan, with a balance of RMB[5,997,000] million as at 30 June 2009, bears interest at a rate of 3 month HIBOR which ranged from [0.36]% per annum to [3.66]% per annum. But this exposure is limited because these balances are relatively small, compared, for example, to the balance of cash and cash equivalents as at 30 June 2009 of approximately RMB[203.5] million.

Foreign currency exchange rate risk

The Group is subject to limited foreign currency exchange risk, which it does not currently hedge, because over the Track Record Period the Group's turnover, costs of sales and operating expenses have, to a limited degree, been denominated in certain different currencies.

During the Track Record Period, 86.7%, 86.5% and [89.9]% of the Group's turnover was derived from sales in the PRC (other than Hong Kong) denominated in Renminbi, respectively while the remainder was derived from sales in Hong Kong denominated in Hong Kong dollars and US dollars. The Group does, however, have certain other costs and expenses relating to its business denominated in other currencies, including imported machinery. As a result, over the Track Record Period the Group has realized relatively small losses related to foreign currency fluctuations. For each of the two financial years ended 30 June 2008, the Group recorded a loss of approximately RMB0.1 million and RMB3.1 million, respectively. For the financial year ended 30 June 2009, the Group recorded a gain of approximately RMB63,000.

Off-balance sheet arrangements

[As of the [Latest Practicable Date], the Group has not entered into any off-balance sheet transactions.]

PROPERTY INTERESTS

Details relating to the Group's property interests are set out in Appendix IV to this document. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the properties owned and leased by the Group as at [31 July] 2009. The text of its letter, summary of values and valuation certificates are set out in Appendix IV to this document.

The table below shows the reconciliation of aggregate amounts of land and buildings under construction from the Group's audited consolidated financial statements as at 30 June 2009 to the unaudited net book value of the Group's property interests as at [31 July] 2009:

	RMB'000
Valuation of properties interests as at [31 July] 2009 as set out in the property valuation report in Appendix IV to this document	[86,840]
Buildings under construction as at 30 June 2009	[71,043]
Prepaid land lease payments as at 30 June 2009	[10,656]
Add:	
Additions to buildings under construction during the [one] month ended [31 July] 2009	—
Cost of land and buildings under construction as at [31 July] 2009	81,699
Revaluation surplus, before income taxes	5,141

PROFIT FORECAST FOR THE [SIX] MONTHS PERIOD ENDING [31 DECEMBER 2009]

The following sets forth certain forecast data for our Company for the [six] months ending 31 December 2009, which should be read in conjunction with Appendices [●] and III to this document:

Forecast consolidated profit attributable to the equity holders of the Company for the six months period ending 31 December 2009	not less than RMB[●] million (approximately HK$[●] million)

Note: The profit forecast has been prepared on the bases and assumptions set out in Appendix III to this document.

There can be no assurance that such forecast will ultimately be realized, or if not realized, that the failure to realize such results will not have a material and adverse impact on the financial condition or the Group's results of operations.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

During the Track Record Period, the Group declared dividend of approximately RMB280.9 million, nil and RMB230.3 million, respectively. Such dividends were paid in cash and out of the distributable profits of the Company. The Directors consider that the dividend payments made during the Track Record Period are not indicative of future dividend policy of the Group.

Regarding dividends to be declared in the future, the Directors are of the opinion that the amount of dividends will depend on, among other things, the Group's results of operations, general financial condition and cash flows, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable PRC laws and regulations in respect of repatriation and withholding tax of dividends and distributions, the other applicable laws and regulations and other factors that the Directors deem relevant. Investors could consider the risks affecting the Group contained in the section headed "Risk factors" in this document.

Subject to the factors above, the Directors intend to declare and recommend dividends which would amount in total to not less than [●]% of the net profit if any, from ordinary activities attributable to shareholders of the Group beginning the year ending 30 June [2010] (as determined in accordance with HKFRS). Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

Distributable Reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Group as at 30 June 2009 was approximately RMB[265,613,000]. The aggregate amounts of distributable reserves as at 30 June 2007 and 2008 of the companies comprising the Group were approximately [RMB83,910,000] and RMB[295,982,000], respectively.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the present available banking facilities and internal resources of the Group and the estimated net proceeds of the [●], the Group has sufficient working capital for its requirements in the next 12 months commencing from the date of this document.

[NO MATERIAL ADVERSE CHANGES

The Directors have confirmed that after taking into account of the fact that there are significant adverse changes in the global and the PRC economies and [the matters disclosed in the section headed "Subsequent Events" in the Accountants' Report as Appendix I to this document and the developments in 2009 disclosed in the section headed "History and Development"], there has been no material adverse change in the Group's financial or trading positions since 30 June 2009 (the date on which the Group's latest consolidated financial results were prepared, as set forth in the Accountants' Report which is included as Appendix I to this document).]