The following is the text of a report, prepared for the purpose of incorporation in this document, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

[Date]

The Board of Directors
China High Precision Automation Group Limited
Sun Hung Kai International Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China High Precision Automation Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended 30 June 2007, 2008 and 2009 (the "Relevant Period"), the consolidated balance sheets of the Group as at 30 June 2007, 2008 and 2009, and of the Company as at 30 June 2008 and 2009, together with the notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [date] (the "Document").

The Company was incorporated in the Cayman Islands on 29 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group's Reorganisation completed on 3 April 2008 (the "Reorganisation"), as detailed in the section headed "History and Development — Reorganisation" in the Document, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Wide Plus High Precision Automation Limited, as they are investment holding companies and have not carried on any business since their respective dates of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of establishment/incorporation to 30 June 2009 for the purpose of this report.

The statutory financial statements for Fujian Wide Plus Precision Instruments Co., Ltd. which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"), were audited during the Relevant Period by the statutory auditor as indicated below:

Name of company *(Note)*	**Financial period**	**Statutory auditor** *(Note)*
Fujian Wide Plus Precision Instruments Co., Ltd. (福建上潤精密儀器有限公司)	Years ended 31 December 2006, 2007 and 2008	Fujian Baihong Associated Certified Public Accountant Firm 福建百鴻聯合會計師事務所(formerly known as Xiamen Lingzhi Associated Certified Public Accountant Firm 廈門凌志聯合會計師事務所)

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. In addition, adjustments have been made, for the purpose of this report, to restate these financial statements to conform with Hong Kong Financial Reporting Standards ("HKFRSs") promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). HKFRSs include Hong Kong Accounting Standards and Interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Documentes and the Reporting Accountant" (Statement 3.340) issued by the

HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

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

We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 30 June 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, the state of affairs of the Group as at 30 June 2007, 2008 and 2009 and of the Company as at 30 June 2008 and 2009.

A BASIS OF PRESENTATION

On 3 April 2008, the Group completed the reorganisation ("the Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited. Pursuant to the Reorganisation, Wide Plus High Precision Automation Limited ("Wide Plus High Precision") acquired the entire equity interest in Fujian Wide Plus Precision Instruments Co., Ltd. ("Fujian Wide Plus") from Wide Plus Precision Instruments Company Limited ("Wide Plus") and the Company acquired the entire equity interest in Wide Plus High Precision by issuance of the Company's ordinary shares.

The companies that took part in the Reorganisation now comprising the Group were controlled by the same group of ultimate equity holders, before and after the Reorganisation. The control is not transitory and consequently, there was a continuation of risks and benefits to the group of ultimate equity holders and therefore the Reorganisation is considered as a business combination under common control and Accounting Guideline "Merger Accounting for Common Control Combinations" has been applied. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence at the beginning of the Relevant Period. The net assets of the combining companies are consolidated using their existing book values from the group of ultimate equity holders' perspective. The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group as set out in Section B include the results of operations of the companies comprising the Group for 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 as set out in Section B 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 material intra-group transactions and balances have been eliminated upon consolidation.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wide Plus High Precision Automation Limited ("Wide Plus High Precision")	Hong Kong 11 December 2007	HKD10,000/ HKD10,000	100%	—	Investment Holding
Fujian Wide Plus Precision Instruments Co., Ltd. ("Fujian Wide Plus" or the "PRC subsidiary") *	The PRC 13 January 2003	USD20,000,000/ USD20,000,000	—	100%	Manufacture and sale of high precision industrial automation instrument and technology products("automation instrument and technology products") and multi-functional all-plastic quartz watch movements ("horological instruments")

* This entity is a wholly foreign owned enterprise.

B FINANCIAL INFORMATION

1 Consolidated income statements

	Section C Note	Years ended 30 June 2007 RMB'000	2008 RMB'000	2009 RMB'000
Turnover	2	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	3	1,950	1,425	1,436
Other expenses	3	(5,780)	(9,702)	—
Other net (losses)/gain	4	(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	5(a)	(2,030)	(2,935)	(5,775)
Profit before taxation	5	200,219	238,997	242,791
Income tax	6(a)	(15,574)	(26,925)	(42,834)
Profit for the year		184,645	212,072	199,957
Dividend declared and paid during the year	9	280,864	—	230,326
Earnings per share (cents)	10			
— basic		24.62	28.28	26.66
— diluted		24.62	28.15	26.66

The accompanying notes form part of the Financial Information.

2 Consolidated balance sheets

		As at 30 June		
	Section C Note	**2007** *RMB'000*	**2008** *RMB'000*	**2009** *RMB'000*
Non-current assets				
Property, plant and equipment	11	55,814	56,133	57,256
Construction in progress	12	650	31,354	71,043
Lease prepayments	13	10,656	10,656	10,656
Deferred tax assets	20(b)	750	1,569	2,676
		67,870	99,712	141,631
Current assets				
Inventories	14	22,513	33,355	28,630
Trade and other receivables	15	141,932	263,973	289,875
Amounts due from related parties	19	1,907	—	—
Cash and cash equivalents	16	153,908	191,701	203,474
		320,260	489,029	521,979
Current liabilities				
Bank loans	17	21,808	56,024	78,997
Trade and other payables	18	85,261	124,926	159,011
Amounts due to shareholders of the Company	19	9,795	4,836	5,731
Amounts due to related parties	19	4,200	12,098	20,413
Current taxation	20(a)	4,634	6,378	10,587
Provision for warranty	21	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	17	3,808	—	—
Deferred tax liabilities	20(b)	—	5,767	17,785
		3,808	5,767	17,785
NET ASSETS		258,269	378,067	370,031
Capital and reserves				
Share capital	23	104,143	342	342
Reserves	24	154,126	377,725	369,689
TOTAL EQUITY		258,269	378,067	370,031

The accompanying notes form part of the Financial Information.

3 Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company						
	Section C Note	**Share capital** *RMB'000 (Note 23)*	**Surplus reserves** *RMB'000 (Note 24(a))*	**Share-based compensation reserve** *RMB'000 (Note 24(b))*	**Other reserve** *RMB'000*	**Exchange reserve** *RMB'000 (Note 24(c))*	**Retained profits** *RMB'000 (Note 24(d))*	**Total equity** *RMB'000*
At 1 July 2006		54,032	36,176	—	—	—	214,169	304,377
Capital injection from the holding company prior to the Reorganisation *(Note (i))*		50,111	—	—	—	—	—	50,111
Net profit for the year		—	—	—	—	—	184,645	184,645
Appropriation to reserve fund		—	34,040	—	—	—	(34,040)	—
Dividend declared and paid		—	—	—	—	—	(280,864)	(280,864)
At 30 June 2007		104,143	70,216	—	—	—	83,910	258,269
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)		—	—	—	—	3,785	—	3,785
Issuance of shares		351	—	—	—	—	—	351
Arising on Reorganisation *(Note (ii))*		(104,152)	—	—	2,982	—	—	(101,170)
Equity settled share-based payments	22	—	—	4,760	—	—	—	4,760
Net profit for the year		—	—	—	—	—	212,072	212,072
At 30 June 2008		342	70,216	4,760	2,982	3,785	295,982	378,067
Exchange differences on translation of financial statements of operations outside the PRC		—	—	—	—	(272)	—	(272)
Equity settled share-based payments	22	—	—	22,605	—	—	—	22,605
Net profit for the year		—	—	—	—	—	199,957	199,957
Dividend declared and paid		—	—	—	—	—	(230,326)	(230,326)
At 30 June 2009		342	70,216	27,365	2,982	3,513	265,613	370,031

Notes:

(i) Prior to the Reorganisation, the PRC subsidiary was wholly owned by Wide Plus Precision Instruments Company Limited ("Wide Plus") from 15 November 2004 to 28 February 2008. Wide Plus was controlled by the controlling shareholder of the Company during the Relevant Period. Capital injections were made to the PRC subsidiary by way of cash and property, plant and equipment by Wide Plus during the Relevant Period.

(ii) On 29 February 2008, Wide Plus High Precision acquired the entire paid-in capital of Fujian Wide Plus from Wide Plus by assuming a debt of HKD110,375,000 (equivalent to RMB100,828,000) owed by Wide Plus to Mr. Wong Fun Chung, the controlling shareholder of the Company. The difference between the consideration and the paid-in capital of Fujian Wide Plus of RMB104,143,000 was treated as an equity movement and recorded in "Other reserve". On the same date, Wide Plus High Precision became the holding company of Fujian Wide Plus.

On 3 April 2008, the Company acquired the entire share capital of Wide Plus High Precision by issue and allotment of 3,799,999 shares of HKD0.1 each (equivalent to RMB342,000). The difference between the nominal value of entire share capital of Wide Plus High Precision of HKD10,000 (equivalent to RMB9,000) and the nominal value of the 3,799,999 shares issued and allotted by the Company was treated as an equity movement and recorded in "Other reserve". On the same date, the Company became the holding company of Wide Plus High Precision.

The accompanying notes form part of the Financial Information.

4 Consolidated cash flow statements

		Years ended 30 June		
	Section C Note	**2007** *RMB'000*	**2008** *RMB'000*	**2009** *RMB'000*
Operating activities				
Profit before taxation		200,219	238,997	242,791
Adjustments for:				
— Depreciation	5(c)	5,582	6,724	7,424
— Finance costs	5(a)	2,030	2,935	5,775
— Interest income	3	(1,439)	(1,419)	(1,436)
— Equity-settled share based payment expenses	5(b)	—	4,760	22,605
— Unrealised exchange differences		(383)	3,078	(261)
Operating profit before changes in working capital		206,009	255,075	276,898
Decrease/(increase) in inventories		7,446	(10,842)	4,725
Increase in trade and other receivables		(42,209)	(123,935)	(25,882)
Increase in trade and other payables		27,436	36,426	34,083
Increase in provision for warranty		243	290	410
Cash generated from operations		198,925	157,014	290,234
PRC income tax paid		(14,821)	(20,233)	(27,714)
Net cash generated from operating activities		184,104	136,781	262,520
Investing activities				
Payment for the purchase of property, plant and equipment		(7,433)	(3,066)	(7,570)
Payment for construction in progress		(465)	(30,289)	(40,664)
Payment for lease prepayments		(10,656)	—	—
Decrease in amounts due from related parties		67	1,907	—
Interest received		1,439	1,419	1,436
Net cash used in investing activities		(17,048)	(30,029)	(46,798)

	Section C Note	Years ended 30 June 2007 RMB'000	2008 RMB'000	2009 RMB'000
Financing activities				
Capital injected from the holding company prior to the Reorganisation		37,396	—	—
Proceeds from bank loans		29,000	72,226	140,605
Repayment of bank loans		(36,278)	(41,616)	(117,632)
Interest paid		(2,030)	(2,935)	(5,775)
Increase/(decrease) in amounts due to shareholders of the Company		530	(5,029)	894
Proceeds from issue of shares		—	9	—
Increase in amounts due to related parties		2,000	7,898	8,285
Payment pursuant to the Reorganisation *(note(i))*		—	(99,512)	—
Dividend paid		(280,864)	—	(230,326)
Net cash used in financing activities		(250,246)	(68,959)	(203,949)
Net (decrease)/increase in cash and cash equivalents		(83,190)	37,793	11,773
Cash and cash equivalents at beginning of the year		237,098	153,908	191,701
Cash and cash equivalents at end of the year	16	153,908	191,701	203,474

Major non-cash transaction:

During the year ended 30 June 2007, capital amounting to RMB12,715,000 was injected in the form of property, plant and equipment to the PRC subsidiary of the Group.

Note:

(i) Pursuant to the Reorganisation, Wide Plus High Precision acquired the equity interest in Fujian Wide Plus from Wide Plus by way of assuming a debt of HKD110,375,000 owed by Wide Plus to Mr. Wong Fun Chung, the controlling shareholder of the Company. The debt was fully settled by cash on 31 March 2008.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information sets out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted by the Group is set out in the reminder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 July 2008 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group did not prepare consolidated financial statements previously. This is the Group's first HKFRS Financial Information and HKFRS 1 has been applied.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Company and its subsidiaries, and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The functional currency of the Company and its subsidiary in Hong Kong is Hong Kong dollars, and the functional currency of the Company's subsidiary in Fujian, the PRC is RMB.

The measurement basis in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (note 1(h)(ii)).

(d) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land is carried at cost less accumulated amortisation and impairment losses (see note 1(h)). Amortisation is charged to the consolidated income statement on a straight-line basis over the lease term.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Machinery and equipment	10 years
—	Leasehold improvements	Over the shorter of 5 years and the lease term
—	Motor vehicles	10 years
—	Furniture and fixtures	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(h)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— lease prepayments;

— construction in progress; and

— investment in subsidiary.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables, including amounts due to related parties, are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to mandatory provident fund in Hong Kong and appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at the grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting dates, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the retained profits).

If the grant of share options is cancelled or settled during the vesting period (other than grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the combined income statements except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable provided that they are not part of a business combination, and temporary differences relating to investment in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reverse and it is probable that the differences are not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Unconditional government grants that compensate the Group for expenses incurred are recognised in profit or loss as revenue when the grants become receivable.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC (excluding Hong Kong) are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside the PRC (excluding Hong Kong), the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(u) Repair and maintenance expenditure

Repair and maintenance expenditure is expensed as incurred.

(v) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

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

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, interest income, corporate and financing expenses.

2 TURNOVER AND SEGMENT REPORTING

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are set out in Section A of this report.

Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes, which is analysed as follows:

	Years ended 30 June 2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Sales of automation instrument and technology products	307,351	426,115	462,425
Sales of horological instruments	171,900	174,789	157,578
	479,251	600,904	620,003

Segment information is presented in respect of the Group's business and geographical segments. Business segments information is chosen as the primary reporting format as the Group's risks and rates of return are affected predominantly by differences in the products it produces.

Business segments

The Group comprises the following main business segments:

Automation instrument and technology products: the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments.

Horological instruments: the manufacture and trading of multi-functional all-plastic quartz watch movements.

	Automation instrument and technology products	Horological instruments	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 30 June 2007			
Revenue from external customers	307,351	171,900	479,251
Segment result	143,228	62,961	206,189
Unallocated operating income and expenses			(3,940)
Profit from operations			202,249
Finance costs			(2,030)
Profit before taxation			200,219
Income tax			(15,574)
Profit for the year			184,645
Depreciation for the year	1,077	4,505	5,582
Segment assets	136,438	93,107	229,545
Unallocated assets			158,585
Total assets			388,130
Segment liabilities	44,460	31,503	75,963
Unallocated liabilities			53,898
Total liabilities			129,861
Capital expenditure incurred during the year	13,139	24,868	38,007

	Automation instrument and technology products *RMB'000*	Horological instruments *RMB'000*	Total *RMB'000*
Year ended 30 June 2008			
Revenue from external customers	426,115	174,789	600,904
Segment result	193,974	61,775	255,749
Unallocated operating income and expenses			(13,817)
Profit from operations			241,932
Finance costs			(2,935)
Profit before taxation			238,997
Income tax			(26,925)
Profit for the year			212,072
Depreciation for the year	1,457	5,267	6,724
Segment assets	266,979	121,823	388,802
Unallocated assets			199,939
Total assets			588,741
Segment liabilities	60,804	51,870	112,674
Unallocated liabilities			98,000
Total liabilities			210,674
Capital expenditure incurred during the year	33,270	4,477	37,747

	Automation Instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Year ended 30 June 2009			
Revenue from external customers	462,425	157,578	620,003
Segment result	199,375	49,260	248,635
Unallocated operating income and expenses			(69)
Profit from operations			248,566
Finance costs			(5,775)
Profit before taxation			242,791
Income tax			(42,834)
Profit for the year			199,957
Depreciation for the year	1,890	5,534	7,424
Segment assets	315,850	128,119	443,969
Unallocated assets			219,641
Total assets			663,610
Segment liabilities	96,085	52,746	148,831
Unallocated liabilities			144,748
Total liabilities			293,579
Capital expenditure incurred during the year	42,615	5,619	48,234

Geographical segments

All the segments are primarily managed and operated in the PRC (excluding Hong Kong). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

	The PRC (excluding Hong Kong)	Hong Kong	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 30 June 2007			
Revenue from external customers	415,712	63,539	479,251
Segment assets	388,130	—	388,130
Segment liabilities	129,861	—	129,861
Capital expenditure	38,007	—	38,007
Year ended 30 June 2008			
Revenue from external customers	519,657	81,247	600,904
Segment assets	580,125	8,616	588,741
Segment liabilities	192,626	18,048	210,674
Capital expenditure	37,077	670	37,747
Year ended 30 June 2009			
Revenue from external customers	557,493	62,510	620,003
Segment assets	648,815	14,795	663,610
Segment liabilities	270,830	22,749	293,579
Capital expenditure	48,234	—	48,234

3 OTHER REVENUE AND EXPENSES

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other revenue			
Interest income	1,439	1,419	1,436
Government grants	511	6	—
	1,950	1,425	1,436
Other expenses			
Late charges and fines — PRC medical insurance provision and housing fund	5,780	9,702	—

Government grants represent various forms of incentives and subsidies granted to the PRC subsidiary by the local authorities.

4 OTHER NET LOSSES/(GAIN)

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net exchange losses/(gain)	110	3,112	(63)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Years ended 30 June		
		2007	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*
(a)	**Finance costs:**			
	Interest on bank borrowings wholly repayable within five years	2,030	2,935	5,775
(b)	**Staff costs:**			
	Contributions to defined contribution retirement plans	347	203	630
	Equity-settled share-based payment expenses *(note 22)*	—	4,760	22,605
	Salaries, wages and other benefits	25,721	30,036	25,207
		26,068	34,999	48,442

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Fujian province whereby the Group is required to make a contribution at the rate of 18% of the eligible employees' salaries to the Scheme. The Group has accrued for the required pension fund contributions, which are remitted to the social security office in the Fujian province when the contributions become due. The social security office in the Fujian province is responsible for making the benefit payments to the retired employee covered under the Scheme.

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HKD20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of pension benefits associated with the two schemes beyond the annual contributions described above.

		Years ended 30 June		
		2007	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*
(c)	**Other items:**			
	Depreciation *(note 11)*	5,582	6,724	7,424
	Impairment losses on trade and other receivables *(note 15(b))*	3,655	117	—
	Research and development costs	1,663	3,261	7,235
	Increase in provision for warranty *(note 21)*	307	426	462
	Auditors' remuneration	27	20	20
	Operating lease charges in respect of leasehold land and properties	1,030	1,556	1,925
	Cost of inventories *(notes (i)* and *14(b))*	257,209	317,930	323,762

Note:

(i) Cost of inventories includes RMB20,339,000, RMB22,052,000 and RMB20,257,000 relating to staff costs and depreciation, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Taxation in the consolidated income statements represents:

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC income tax			
Provision for the year	16,172	21,977	31,923
Deferred tax			
Origination and reversal of temporary differences *(note 20(b))*	(598)	4,948	10,911
	15,574	26,925	42,834

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(iii) Prior 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits.

Being a production-type foreign investment enterprise situated in the Mawei District of Fuzhou, which was an Economic and Technological Development Zone, Fujian Wide Plus was entitled to a preferential income tax rate of 15% and was granted an income tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year after offsetting accumulated tax losses ("2+3 tax holiday") as approved by Rong Kai Guo Shui Han (2004) No. 74 issued by Fuzhou Economic and Technological Development Zone State Tax Bureau. Fujian Wide Plus commenced its 2+3 tax holiday on 1 January 2004. Accordingly, Fujian Wide Plus was exempted from income tax from 1 January 2004 to 31 December 2005 and was subject to income tax at 7.5% from 1 January 2006 to 31 December 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the new CIT Law"), which took effect on 1 January 2008. As a result of the new CIT Law, the statutory income tax rate for enterprises in the PRC has been reduced from 33% to 25%. On 6 and 26 December 2007, the State Council released the *Implementation Rules to the Corporate Income Tax Law* ("Implementation Rules") and Guo Fa [2007] No. 39 *Notice on Carrying out the Transitional Preferential Policies concerning Corporate Income Tax* ("Circular 39"), respectively. The new CIT Law, the Implementation Rules and Circular 39 provide a 5-year transitional period from 1 January 2008 for those entitles which were established before 16 March 2007 and which were entitled to a preferential lower income tax rate under the then effective tax laws and regulations, as well as grandfathering on the 2+3 tax holidays. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for calendar years 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

Further, under the new CIT Law, a recognised Advanced and New Technology Enterprise ("ANTE") that meets the conditions according to the *Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises* issued on 14 April 2008 is entitled to a reduced income tax rate of 15%.

On 12 December 2008, Fujian Wide Plus was recognised as an ANTE under the new CIT Law as approved by the relevant authorities for a period of 3-year effective retroactively from 1 January 2008 to 31 December 2010. According to Circular 39, where the transitional preferential income tax policies and the preferential policies prescribed under the new CIT Law and the Implementation Rules overlap, an enterprise shall choose to carry out the most preferential policy, but shall not enjoy multiple preferential policies. Fujian Wide Plus has chosen to enjoy the 2+3 tax holiday grandfathering treatment until its expiry on 31 December 2008. Accordingly, Fujian Wide Plus is subject to income tax at 9% from 1 January 2008 to 31 December 2008 and at 15% from 1 January 2009 to 31 December 2010.

In addition, under the new CIT Law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the *Arrangement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion*, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to Cai Shui [2008] No. 1 *Notice on Certain Preferential Enterprise Income Tax Policies*, undisturbed profits generated prior to 1 January 2008 are exempt from such withholding tax. Accordingly, dividends receivable by Wide Plus High Precision from Fujian Wide Plus in respect of profits earned since 1 January 2008 is subject to 5% withholding tax. Deferred tax liabilities have been recognised for undistributed retained profits of Fujian Wide Plus earned since 1 January 2008 to the extent that the profits are likely to be distributed in the foreseeable future (see note 20(b)).

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	200,219	238,997	242,791
Tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	30,033	43,019	46,556
Tax concessions	(15,017)	(24,440)	(19,351)
Tax effect of non-deductible expenses	558	2,803	4,713
Effect of changes in tax rate	—	(152)	(1,014)
Withholding tax on unremitted profits of the PRC subsidiary *(note 20(b))*	—	5,695	11,930
Actual income tax expense	15,574	26,925	42,834

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 30 June 2007

	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Share-based payments	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Wong Fun Chung	—	164	—	—	—	164
Mr. Wong Sun Hoi	—	—	—	—	—	—
Mr. Zou Chong	—	60	2	—	—	62
Mr. Su Fang Zhong	—	60	2	—	—	62
Mr. Cheung Chuen	—	—	—	—	—	—
Independent non-executive directors						
Dr. Hu Guo Qing	—	—	—	—	—	—
Ms. Ji Qin Zhi	—	—	—	—	—	—
Mr. Chan Yuk Hiu, Taylor	—	—	—	—	—	—
Total	—	284	4	—	—	288

Year ended 30 June 2008

	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Share-based payments	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Wong Fun Chung	—	165	—	—	—	165
Mr. Wong Sun Hoi	—	—	—	138	—	138
Mr. Zou Chong	—	95	2	733	—	830
Mr. Su Fang Zhong	—	95	2	733	—	830
Mr. Cheung Chuen	—	407	8	183	—	598
Independent non-executive directors						
Dr. Hu Guo Qing	—	26	—	—	—	26
Ms. Ji Qin Zhi	—	26	—	—	—	26
Mr. Chan Yuk Hiu, Taylor	—	26	—	—	—	26
Total	—	840	12	1,787	—	2,639

Year ended 30 June 2009

	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Share-based payments	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Wong Fun Chung	—	165	—	—	—	165
Mr. Wong Sun Hoi	—	—	—	678	—	678
Mr. Zou Chong	—	144	3	3,617	—	3,764
Mr. Su Fang Zhong	—	144	3	3,617	—	3,764
Mr. Cheung Chuen	—	573	11	904	—	1,488
Independent non-executive directors						
Dr. Hu Guo Qing	—	—	—	—	—	—
Ms. Ji Qin Zhi	—	—	—	—	—	—
Mr. Chan Yuk Hiu, Taylor	44	—	—	—	—	44
Total	44	1,026	17	8,816	—	9,903

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. Except as disclosed in note 22(i), there was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three, four and four were also directors of the Company for the years ended 30 June 2007, 2008 and 2009 respectively whose remuneration is disclosed in note 7 above. The remuneration in respect of the remaining individual(s) is as follows:

	Years ended 30 June		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	120	95	325
Share-based payments	—	458	—
Contributions to retirement benefit scheme	—	—	12
	120	553	337

The emoluments of these individual(s) are within the following band:

	Number of individuals Years ended 30 June		
	2007	2008	2009
RMB Nil to RMB1,000,000	2	1	1

9 DIVIDEND

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Dividend declared and paid during the year	280,864	—	230,326

The directors consider that the dividend payments made during the Relevant Period are not indicative of future dividend policy of the Group.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for each of the Relevant Period and the 3,800,000 ordinary shares of the Company issued on 3 April 2008 and 746,200,000 ordinary shares to be issued pursuant to a capitalisation issue as approved by the existing shareholders in the shareholders' written resolutions to the existing shareholders of the Company passed on [date] as if these shares were outstanding throughout the entire Relevant Period.

The capitalisation issue is conditional upon the [●]. The issue will be completed by way of capitalisation of balance standing to the credit of the share premium account of the Company arising from the proceeds of the [●].

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

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Earnings:			
Net profit (basic and diluted)	184,645	212,072	199,957

	Years ended 30 June		
	2007	**2008**	**2009**
	'000	*'000*	*'000*
Number of shares:			
Number of ordinary shares (basic)	750,000	750,000	750,000
Effect of deemed issue of shares under the Company's Pre-IPO share option scheme	—	3,270	—
Number of ordinary shares (diluted)	750,000	753,270	750,000

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB cents	*RMB cents*	*RMB cents*
Basic earnings per share	24.62	28.28	26.66
Diluted earnings per share	24.62	28.15	26.66

11 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Total *RMB'000*
Cost:					
At 1 July 2006	36,766	1,131	283	1,789	39,969
Additions	13,355	586	—	230	14,171
Injection by the holding company prior to the Reorganisation	12,715	—	—	—	12,715
At 30 June 2007	62,836	1,717	283	2,019	66,855
At 1 July 2007	62,836	1,717	283	2,019	66,855
Additions	5,537	384	639	483	7,043
At 30 June 2008	68,373	2,101	922	2,502	73,898
At 1 July 2008	68,373	2,101	922	2,502	73,898
Exchange adjustment	—	1	—	1	2
Additions	7,214	—	—	356	7,570
Transfer from construction in progress *(note 12)*	295	680	—	—	975
At 30 June 2009	75,882	2,782	922	2,859	82,445
Accumulated depreciation:					
At 1 July 2006	4,891	69	33	466	5,459
Charge for the year	4,978	238	25	341	5,582
At 30 June 2007	9,869	307	58	807	11,041
At 1 July 2007	9,869	307	58	807	11,041
Charge for the year	5,807	341	66	510	6,724
At 30 June 2008	15,676	648	124	1,317	17,765
At 1 July 2008	15,676	648	124	1,317	17,765
Charge for the year	6,159	785	83	397	7,424
At 30 June 2009	21,835	1,433	207	1,714	25,189
Net book value:					
At 30 June 2007	52,967	1,410	225	1,212	55,814
At 30 June 2008	52,697	1,453	798	1,185	56,133
At 30 June 2009	54,047	1,349	715	1,145	57,256

12 CONSTRUCTION IN PROGRESS

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At 1 July	185	650	31,354
Additions	465	30,704	40,664
Transfer to fixed assets *(note 11)*	—	—	(975)
At 30 June	650	31,354	71,043

Construction in progress comprises costs incurred on plants and leasehold improvements not yet completed at the respective balance sheet dates.

13 LEASE PREPAYMENTS

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At 1 July	—	10,656	10,656
Additions	10,656	—	—
At 30 June	10,656	10,656	10,656

Lease prepayments represent prepayments for land use rights in the PRC with a lease term expiring in 2056.

14 INVENTORIES

(a) Inventories in the consolidated balance sheets comprise:

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	14,534	21,364	19,932
Work in progress	2,547	5,972	2,969
Finished goods	5,432	6,019	5,729
	22,513	33,355	28,630

None of the inventories at 30 June 2007, 2008 and 2009 were carried at net realisable value.

(b) An analysis of the amount of inventories recognised as an expense is as follows:

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold *(note 5(c))*	257,209	317,930	323,762

15 TRADE AND OTHER RECEIVABLES

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	142,285	259,043	261,661
Less: allowance for doubtful debts *(note 15(b))*	(3,655)	(3,655)	(3,655)
	138,630	255,388	258,006
Prepayments for inventories purchase	—	—	15,000
Prepaid listing expenses	—	7,059	13,463
Other prepayments, deposits and receivables	4,076	1,526	3,406
Less: allowance for doubtful debts *(note 15(b))*	(774)	—	—
	3,302	8,585	31,869
	141,932	263,973	289,875

All of the trade and other receivables are expected to be recovered within one year. The Group's credit policy is set out in note 25(a). The Group generally grants credit periods of 3–5 months from the date of billing to its trade customers.

(a) Ageing analysis

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*
Neither past due nor impaired (current)	138,485	221,066	240,823
Less than 1 month past due	108	27,174	—
1 to 3 months past due	37	7,148	8,463
More than 3 months but less than 12 months past due	—	—	8,720
Amounts past due	145	34,322	17,183
	138,630	255,388	258,006

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

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

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(h)).

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

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At 1 July	774	4,429	3,655
Impairment loss recognised	3,655	—	—
Uncollectible amounts written off	—	(774)	—
At 30 June	4,429	3,655	3,655

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that none of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB3,655,000, RMB Nil and RMB Nil were recognised for the years ended 30 June 2007, 2008 and 2009 respectively. The Group does not hold any collateral over these balances.

(c) Bank loans secured by trade receivables

As at 30 June 2008 and 2009, trade receivables of the Group amounted to RMB13,602,000 and RMB6,663,000 respectively were assigned and charged in favour of a bank in the PRC as a security for loans of RMB12,024,000 and RMB5,997,000 respectively.

16 CASH AND CASH EQUIVALENTS

As at 30 June 2007, 2008 and 2009, cash and bank balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB153,240,000, RMB190,445,000 and RMB202,912,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

17 BANK LOANS

As at 30 June 2007, 2008 and 2009, the bank loans were repayable as follows:

	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	—	—
	25,616	56,024	78,997
Representing:			
Secured bank loans *(note (i))*:			
— secured by property, plant and equipment *(note 27(b)(ii))*	7,616	—	—
— secured by trade receivables *(note 15(c))*	—	12,024	5,997
	7,616	12,024	5,997
Unsecured bank loans *(note (ii))*:			
— guaranteed by related parties *(note 27(b)(iii) and (v))* and a third party	18,000	40,000	55,000
— others	—	4,000	18,000
	18,000	44,000	73,000
	25,616	56,024	78,997

(i) The secured loan as at 30 June 2007 bore interest at a rate of LIBOR plus 3% per annum which ranged from 8.33% to 8.52% for the year ended 30 June 2007.

As at 30 June 2008, except for a secured loan of RMB 2,940,000 which bore interest at a fixed rate of 6.08%, the secured loans of RMB5,792,000 and RMB3,292,000 bore interest at rates of HIBOR plus 5.5% per annum and HIBOR plus 7.5% per annum respectively, which ranged from 7.73% to 9.73% for the year ended 30 June 2008.

The secured loan as at 30 June 2009 bore interest at rate of 3 month HIBOR which ranged from 0.36% to 3.66% for the year ended 30 June 2009.

At 30 June 2007, 2008 and 2009, certain of the Group's assets were pledged to secure loans and banking facilities to the PRC subsidiaries as follows:

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	13,777	—	—
Trade receivables	—	13,602	6,663
	13,777	13,602	6,663

At 30 June 2007, certain assets of the related parties of the Group were charged and assigned in favour of a bank in the PRC as security for the secured bank loan granted to the PRC subsidiary. Details of assets charged and assigned are set out in note 27(b)(ii).

(ii) The unsecured bank loans as at 30 June 2007, 2008 and 2009 bore fixed interest rates at 5.58% to 7.96%, 8.59% to 9.34% and 5.35% to 8.96% per annum respectively.

(iii) At 30 June 2007, 2008 and 2009, the banking facilities of the PRC subsidiary amounted to RMB25,616,000, RMB70,000,000 and RMB83,997,000 respectively, which were utilised to the extent of RMB25,616,000, RMB56,024,000 and RMB78,997,000 respectively.

18 TRADE AND OTHER PAYABLES

		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

All of the trade and other payables are expected to be settled within one year.

19 AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS OF THE COMPANY

The amounts due from related parties of the Company are unsecured, interest-free and recoverable on demand. The amounts due to related parties and shareholders of the Company are unsecured, interest-free and have no fixed repayment terms.

20 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Current taxation in the consolidated balance sheets represents:

		As at 30 June	
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Balance of provision for PRC income tax	4,634	6,378	10,587

(b) Deferred tax assets/(liabilities) recognised:

	Provisions	Accelerated tax depreciation	Unremitted profits of PRC subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 July 2006	152	—	—	152
Credited to consolidated income statements *(note 6(a))*	598	—	—	598
At 30 June 2007	750	—	—	750
At 1 July 2007	750	—	—	750
Credited/(charged) to consolidated income statements *(note 6(a))*	819	(72)	(5,695)	(4,948)
At 30 June 2008	1,569	(72)	(5,695)	(4,198)
At 1 July 2008	1,569	(72)	(5,695)	(4,198)
Credited/(charged) to consolidated income statements *(note 6(a))*	1,107	(88)	(11,930)	(10,911)
At 30 June 2009	2,676	(160)	(17,625)	(15,109)

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets recognised on the consolidated balance sheets	750	1,569	2,676
Deferred tax liabilities recognised on the consolidated balance sheets	—	(5,767)	(17,785)
	750	(4,198)	(15,109)

21 PROVISION FOR WARRANTY

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At 1 July	112	355	645
Additional provision made	307	426	462
Provision utilised	(64)	(136)	(52)
At 30 June	355	645	1,055

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within 18 months of delivery of automation instrument and technology products to customers. Provision is therefore made for the best estimate of the expected settlements under these agreements in respect of sales made prior to the balance sheet dates. The amount of provision takes into account the Group's recent claim experience and provision is only made where a warranty claim is probable.

22 EQUITY COMPENSATION BENEFITS

Pre-IPO share option scheme

Pursuant to an ordinary resolution passed on 17 April 2008, the Company adopted a pre-IPO share option scheme for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The pre-IPO share option scheme remains in force for a period of approximately 4.2 years from adoption of such scheme and will expire on 30 June 2012.

(i) The terms and conditions of the options granted during the Relevant Period are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
— 21 April 2008	6,460,000	0.9 year from the date of grant	2.2 years
	6,470,000	1.2 years from the date of grant	3.2 years
	6,570,000	2.2 years from the date of grant	4.2 years
Options granted to employees:			
— 21 April 2008	11,800,000	0.9 year from the date of grant	2.2 years
	11,800,000	1.2 years from the date of grant	3.2 years
	6,900,000	2.2 years from the date of grant	4.2 years
	50,000,000		

On 21 January 2009, all of the 50,000,000 options granted were unconditionally cancelled by the Company's Directors and employees. In accordance with the accounting policy set out in note 1(n)(iii), the cancellation of options was accounted for as an acceleration of vesting and additional equity-settled share-based payment expenses of RMB12,170,928 were recognised in the Financial Information for the year ended 30 June 2009.

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HKD*	Number of options
Outstanding at 1 July 2006 and 2007	—	—
Granted	2.2	50,000,000
Outstanding at 30 June 2008	2.2	50,000,000
Cancelled		(50,000,000)
Outstanding at 30 June 2009	—	—
Exercisable at 30 June 2007, 2008 and 2009	—	—

(iii) Fair value of options granted and assumptions

The fair value of services received in return for options granted in 2008 is measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured based on the Binomial Option Pricing Model. The contractual life of the option is used as an input into this model.

Fair value at measurement date	HKD0.56–HKD0.70
Share price	HKD2.23
Exercise price	HKD2.20
Expected volatility	45.82%–48.69%
Expected option life	4.2 years
Expected dividends	3.11%
Risk free interest rate	1.62%–2.12%

The expected volatility is based on the historic volatility of comparable listed companies (calculated based on the weighted average remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends.

There was no market conditions associated with the share option grant.

23 SHARE CAPITAL

As disclosed in Section A above, the Financial Information has been prepared as if the Group had always been in existence. The financial statements of the companies comprising the Group during the Relevant Period were consolidated as if the Group existed throughout the period presented.

For the purpose of this report, the capital of the Group as at 30 June 2007 represents the paid-in capital of Fujian Wide Plus.

The Company was incorporated on 29 November 2007 with issued share capital of HKD0.1 comprising of 1 share issued at par.

On 3 April 2008, the Company acquired the entire share capital of Wide Plus High Precision by issue and allotment of 3,799,999 shares of HKD0.1 each (equivalent to RMB342,000).

By an ordinary resolution of the Company passed on 19 March 2009, the Company's authorised share capital was increased to HKD502,000 by the creation of an additional 1,220,000 shares of HKD0.1 each. Following the increase, the Company's authorised share capital of HKD502,000 was redesignated and reclassified into 5,000,000 Class A shares of HKD0.1 each and 2,000,000 Class B shares of HKD0.001 each, having the rights and privileges and subject to the restrictions set out in the Articles of Association of the Company.

Pursuant to the convertible bonds ("CB") subscription deed entered into by the Company with Standard Bank Plc, Standard Bank Asia Limited and the existing shareholders on 8 July 2009, upon conversion of the CB, all Class B shares subscribed by the holder(s) of the 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.

Share capital in the consolidated balance sheet as at 30 June 2008 and 2009 represents the nominal value of the issued share capital of the Company.

24 RESERVES

(a) Surplus reserves

Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profits of the Group's subsidiary operating in the PRC are transferred to the reserve fund. The amounts of profits transferred to the reserve fund are determined by the board of directors of the subsidiary. The fund is restricted as to use and is not available for distribution.

(b) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO share option scheme set out in note 22.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies set out in note 1(r).

(d) Distributable reserve

The Company was incorporated on 29 November 2007 and has not carried out any business since the date of its incorporation. Accordingly, there were no reserves available for distribution to shareholders as at 30 June 2008 and 2009.

On the basis set out in Section A above, the aggregate amounts of distributable reserves at 30 June 2007, 2008 and 2009 of the companies comprising the Group were RMB83,910,000, RMB295,982,000 and RMB265,613,000 respectively.

25 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, commodity price, supply and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

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

The Group's bank deposits are placed with major financial institutions and the Group considers the credit risk to be insignificant. At the balance sheet date, the Group has a certain concentration of credit risk as more than 90% of total cash and cash equivalents were deposited at one financial institution in the PRC as at 30 June 2007, 2008 and 2009.

Trade receivables are presented net of the allowance for bad and doubtful debts. Credit risks and exposures are controlled and monitored on an on-going basis by performing credit evaluation on customers on a case-by-case basis. These receivables are normally due within 120 to 150 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 13% and 51%, 9% and 33%, 10% and 35% of the total trade receivables were due from the Group's largest customer and the five largest customers as at 30 June 2007, 2008 and 2009 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of short-term fluctuations in cash flows. The Group's corporate finance department is responsible for maintaining a balance between continuity and flexibility of funding through the use of bank facilities in order to meet the Group's liquidity requirements.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	As at 30 June									
	2007				2008			2009		
	Carrying amount	Total contracted undiscounted cash outflow	Within 1 year or on demand	More than 1 year but less than 2 years	Carrying amount	Total contracted undiscounted cash outflow	Within 1 year or on demand	Carrying amount	Total contracted undiscounted cash outflow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	85,261	85,261	85,261	—	124,926	124,926	124,926	159,011	159,011	159,011
Amounts due to related parties	4,200	4,200	4,200	—	12,098	12,098	12,098	20,413	20,413	20,413
Amounts due to shareholders of the Company	9,795	9,795	9,795	—	4,836	4,836	4,836	5,731	5,731	5,731
Bank loans	25,616	26,805	22,825	3,980	56,024	57,858	57,858	78,997	80,512	80,512

(c) Interest rate risk

The interest rates and maturity information of the Group's bank loans are disclosed in note 17. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group does not use derivative financial instruments to hedge its debt obligations.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier:

	As at 30 June						
	2007			2008		2009	
	Effective interest rate	One year or less	One to two years	Effective interest rate	One year or less	Effective interest rate	One year or less
		RMB'000	*RMB'000*		*RMB'000*		*RMB'000*
Repricing dates for assets which reprice before maturity							
Cash at bank	0.72%	153,240	—	0.72%	191,299	0.36%	203,134
Maturity for liabilities which do not reprice before maturity							
Bank loans	7.89%	21,808	3,808	8.76%	56,024	6.01%	78,997

Sensitivity analysis

At 30 June 2007, 2008 and 2009, it is estimated that a general increase of one percentage point in the interest rates of the floating rate loans disclosed in note 17, with all other variables held constant, would decrease the Group's profit before tax by approximately RMB97,000, RMB322,000 and RMB590,000 for the years ended 30 June 2007, 2008 and 2009. This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for financial instruments at those dates. The one percentage point increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis during the Relevant Period.

A one percentage point decrease in the interest rates of the floating rate loans at 30 June 2007, 2008 and 2009 would have had equal but opposite effect on the Group's profits, on the basis that all other variables remain constant.

(d) Commodity price risk

The major components used in the production of the Group's products included copper coils. The Group is exposed to fluctuations in the prices of copper coils which are influenced by global as well as regional supply and demand conditions. Fluctuations in the price of copper coils could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(e) Supply risk

The Group sources most of its main raw materials and components from a limited group of suppliers. Interruption or reduction of supply of these raw materials and components could adversely affect the Group's financial performance. The Group's policy is to regularly monitor the stock level of raw materials and components to ensure that it maintains sufficient raw materials and components to meet its production schedules and commitments to customers in the short and longer term. Management does not expect that there will be difficulties to obtain adequate supplies of raw materials and components in a timely manner and at a stable cost. During the years ended 30 June 2007, 2008 and 2009, the Group's supplies of raw materials from the five largest suppliers represented 81%, 77% and 73% of the Group's total raw materials purchases respectively.

(f) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate.

The currencies giving rise to this risk are primarily USD and HKD. During the years ended 30 June 2007, 2008 and 2009, sales denominated in foreign currencies represented 13%, 14% and 10% of the Group's total turnover respectively. The Group does not employ any financial instruments for hedging purposes.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 30 June					
	2007		2008		2009	
	USD'000	*HKD'000*	*USD'000*	*HKD'000*	*USD'000*	*HKD'000*
Cash and cash equivalents	24	39	20	862	29	1,597
Trade and other receivables	329	13,108	287	11,263	573	30,638
Amounts due from/(to) a related party	307	(425)	—	(13,424)	—	(22,823)
Bank loans	(1,000)	—	—	(10,126)	—	(6,804)
Amounts due to shareholders of the Company	—	(8,103)	—	(5,250)	—	(6,250)
Trade and other payables	—	—	—	(505)	—	(2,984)
Overall net exposure	(340)	4,619	307	(17,180)	602	(6,626)

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 30 June 2007, 2008 and 2009 would have decreased/(increased) the profit of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group entities' exposure to currency for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis throughout the Relevant Period.

	Years ended 30 June		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
US dollars	(119)	96	175
Hong Kong dollars	207	(687)	(248)
	88	(591)	(73)

A 5 percent weakening of the RMB against the above currencies at 30 June 2007, 2008 and 2009 would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(g) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2007, 2008 and 2009. The amounts due to/from related parties and shareholders are unsecured, interest-free and have no fixed repayment terms and recoverable on demand. Given these terms it is not meaningful to disclose fair values.

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as including all components of equity plus loans from group companies and shareholders with no fixed terms of repayment, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded as capital. On this basis, the amount of capital employed at 30 June 2007, 2008 and 2009 were RMB268,064,000, RMB382,903,000 and RMB375,762,000 respectively.

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the company laws of the jurisdictions concerned for each of the entities comprising the Group. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Group was not subject to externally imposed capital requirements during the Relevant Period.

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	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 of a property located in Hong Kong runs for an initial period of 2 years and the leases of properties located in the PRC run for an initial period of 15 years. The leases have options to renew when all terms are renegotiated. The leases do not include contingent rentals.

(b) Capital commitments

Capital commitments outstanding at 30 June 2007, 2008 and 2009 not provided for in the Financial Information were as follows:

	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

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 17 and 19, the Group entered into the following material related party transactions.

During the Relevant Period, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wide Plus Investments Limited ("Wide Plus Investments")	Effectively 72.75% owned by Mr. Wong Fun Chung, controlling shareholder of the Company, till 13 December 2007
	Effectively 50.00% owned by Ms. Fung Ping, spouse of the controlling shareholder of the Company, from 14 December 2007
Wide Plus Precision Instruments Company Limited ("Wide Plus")	Effectively 56.02% owned by Mr. Wong Fun Chung, controlling shareholder of the Company
Fuzhou Shanglun Precision Instruments Company Limited* ("Fuzhou Shanglun") (福州上潤精密儀器有限公司)	Effectively 56.02% owned by Mr. Wong Fun Chung, controlling shareholder of the Company
Fujian Wide Plus Electronic Company Limited* ("Fujian Electronic") (福建上潤電子有限公司)	Effectively 56.02% owned by Mr. Wong Fun Chung, controlling shareholder of the Company
Lucky Strong Technologies Limited ("Lucky Strong")	Effectively 10% owned by Mr. Wong Fun Chung, controlling shareholder of the Company

Fuzhou Shanglun and Fujian Electronic ceased to be related parties of the Group effective from 20 September 2007 and 29 September 2007 respectively, when Wide Plus disposed of its entire interests in Fuzhou Shanglun and Fujian Electronic to an independent third party.

Lucky Strong ceased to be a related party of the Group effective from 16 January 2008, when Mr. Wong Fun Chung disposed of its interests in Lucky Strong to an independent third party.

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(a) Recurring transaction

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Transactions with a shareholder			
Lease of a property to the Group			
— Ms. He Yuzhu *(note (i))*	—	60	36

(i) Allied Basic Limited is wholly owned by Ms. He Yuzhu and is one of the shareholders of the Company. Ms. He Yuzhu ceased to be a related party of the Group effective from 2 February 2009, when Ms. He Yuzhu disposed of its entire interest in Allied Basic Limited to an independent third party.

The directors of the Company are of the opinion that the above related party transaction was conducted on normal commercial terms and in the ordinary course of business. The directors have confirmed that the above transaction will continue in the future after the [●] of the Company's shares on the Stock Exchange.

(b) Non-recurring transactions

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Transactions with related companies			
Settlements of promotional expenses on the Group's behalf			
— Wide Plus *(note (i))*	249	295	—
Short-term advances to the Group			
— Wide Plus	—	24,437	8,286
Transactions with a shareholder			
Settlements of rental expenses on the Group's behalf			
— Mr. Wong Fun Chung *(note (i))*	1,030	1,031	882
Short-term advances to the Group			
— Mr. Wong Fun Chung	—	8,785	106

(i) The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(ii) As at 30 June 2007, the following assets of the related parties of the Group were assigned and charged in favour of a bank in the PRC as security for a loan of RMB7,616,000 granted by the bank to the PRC subsidiary of the Group;

— a property owned by Mr. Wong Fun Chung, the controlling shareholder, and located in Hong Kong;

— a property owned by Wide Plus Investments and located in Hong Kong;

— all assets of Wide Plus Investments; and

— all of the issued shares of Wide Plus Investments.

The loan was guaranteed by Wide Plus Investments, Wide Plus, Mr. Wong Fun Chung and Ms. Fung Ping (spouse of Mr. Wong Fun Chung).

The loan was fully repaid on 9 November 2007, the charge over the above assets and guarantees were released.

(iii) Certain bank loans of the Group totalling RMB18,000,000 as at 30 June 2007 were guaranteed by Fuzhou Shanglun and Fujian Electronic. The guarantees provided by the related parties have been released before the [●].

(iv) During the Relevant Period, the Group used the technology know-how owned by the controlling shareholder and trademarks owned by Fujian Electronic free of charge. On 21 May 2008, the ownership of the above technology know-how and trademarks had been transferred from the controlling shareholder and Fujian Electronic to a PRC subsidiary of the Company for nil consideration.

(v) At 30 June 2008 and 2009, bank loans of RMB40,000,000 and RMB55,000,000 was guaranteed by Mr. Wong Fun Chung with no assets pledged. The directors of the Company have confirmed that the guarantee will be replaced by corporate guarantee by the Group prior to the [●].

The directors of the Company have confirmed that the above transactions will not be continued in the future after the [●] of the Company's shares on the Stock Exchange.

(c) Balances with related parties

As at the balance sheet dates, the Group had the following balances with related parties:

	As at 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
— Wide Plus	1,544	—	—
— Lucky Strong	363	—	—
	1,907	—	—
Amounts due to shareholders of the Company			
— Mr. Wong Fun Chung	5,641	4,836	5,731
— Mr. Wong Sun Hoi	4,154	—	—
	9,795	4,836	5,731
Amounts due to related parties			
— Mr. Pang Chang Chi	4,200	—	—
— Wide Plus	—	12,098	20,413
	4,200	12,098	20,413

The balances with related parties are unsecured, interest free and repayable on demand. The outstanding balances with related parties as at 30 June 2009 will be settled before the [●] of the Company's shares on the Stock Exchange.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 30 June		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	449	1,124	1,827
Share-based payments	—	2,842	14,015
Contribution to retirement benefit schemes	4	12	29
	453	3,978	15,871

Total remuneration is included in "staff costs" (see note 5(b)).

28 THE COMPANY'S BALANCE SHEET

The balance sheets of the Company as at 30 June 2008 and 2009 were as follows:

		As at 30 June	
		2008	**2009**
	Note	*RMB'000*	*RMB'000*
Non-current assets			
Investment in a subsidiary	(a)	342	342
Current assets			
Prepayments	(b)	7,059	14,036
Current liabilities			
Amounts due to subsidiaries	(c)	5,431	11,825
Amount due to a related party	(c)	3,877	3,887
Other payables		445	2,451
		9,753	18,163
Net current liabilities		(2,694)	(4,127)
NET LIABILITIES		(2,352)	(3,785)
Capital and reserves			
Share capital	(a)	342	342
Accumulated losses		(2,694)	(4,127)
TOTAL EQUITY		(2,352)	(3,785)

Notes:

(a) The Company was incorporated on 29 November 2007 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.1 each, with one share issued at HKD0.1 upon incorporation. On the same date, the subscriber share of the Company was acquired by Mr. Wong Fun Chung.

On 3 April 2008, the Company entered into a sale and purchase agreement with the shareholders of Wide Plus High Precision to acquire the entire equity interest in Wide Plus High Precision by issue and allotment of 3,799,999 shares at par.

(b) Prepayments represent listing expenses prepaid by the Company.

(c) Amounts due to subsidiaries and a related party represent listing expenses and other operating expenses paid by the subsidiaries and the related party on behalf of the Company.

29 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain.

Notes 22 and 25 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments respectively. Other key areas of estimation uncertainty are as follows:

(a) Warranty provision

As explained in note 21, the Group makes provision for the warranty it gives on sales of automation technology products based on the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that the Group will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Impairments

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's net asset value.

Impairment loss for bad and doubtful debts is assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(c) 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 as in accordance with accounting policy as set out in note 1(i). Management 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.

(d) Provision for taxation

Judgement is required in determining the provision for income tax. There are transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. Additional provision is made in the consolidated financial statements to cover the expected outcome of the ultimate tax determination to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews regularly the useful lives of an asset and its residual value, if any. The useful lives and residual values are based on the Group's 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 estimation.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and Financial Information:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised)	Presentation of financial statements	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009
Amendments to HKFRS 2	Share-based payment — Vesting conditions and cancellations	1 January 2009
HKFRS 3 (revised)	Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amendments to HKAS 27	Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39	Financial instruments: Recognition and measurement — Eligible hedged items	1 July 2009
HK(IFRIC) 17	Distribution of non-cash assets to owners	1 July 2009
Improvements to HKFRSs 2009		1 July 2009 or 1 January 2010

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2009:

(a) Valuation of properties

For the purpose of the [●], the Group's properties were revalued as at [31 July] 2009 by Jones Lang LaSalle Sallmanns Limited, an independent firm of surveyors.

The valuation gave rise to a revaluation surplus of approximately [RMB5,141,000] from the carrying amount of the relevant assets at that date. Such revaluation surplus will not be incorporated in the financial statements subsequently prepared for the year ending 30 June 2010. Details of the valuation are set out in Appendix IV to the Document.

(b) Change in shareholding structure, On-loan Agreement and Senior Term Loan Facility Agreement

On 8 July 2009, Fortune Plus entered into a sale and purchase agreement with Allied Basic Limited and the Company and pursuant to which Allied Basic Limited agreed to sell and Fortune Plus agreed to purchase 15.89% equity interest in the Company, at the consideration of USD21,700,000. There are no changes to the ultimate controlling equity holder of the Group prior to and after the above transfer of equity interest.

On 8 July 2009, the Company entered in to an On-loan Agreement (the "On-loan agreement") with Fortune Plus Holdings Limited ("Fortune Plus"), a related company incorporated under the laws of the British Virgin Islands and being controlled by the controlling shareholder of the Company. Under the On-loan agreement, Fortune Plus borrowed a loan from the Company with a principal amount of USD21,700,000. The loan bears interest at LIBOR plus a margin of 8% per annum and is repayable on demand.

On 8 July 2009, the Company entered into a Senior Term Loan Facility Agreement (the "Term Loan agreement") with Standard Bank Asia Limited (as arranger, agent and security agent) and Standard Bank Plc (as borrower), pursuant to which Standard Bank Plc agreed to grant a USD21,700,000 term loan (the "term loan") to the Company. The term loan bears interest at LIBOR plus a margin of 8% per annum, and is repayable in five equal semi-annual instalments beginning on 8 July 2010.

Further details of the transactions are set out in section headed "History and Development' section in this Document.

The directors of the Company have confirmed that the outstanding balance of loan to Fortune Plus will be settled before the [●] of the Company's shares on the Stock Exchange.

(c) Convertible bonds issue

On 8 July 2009, the Company issued convertible bonds with a principal amount of USD35,000,000 to Standard Bank Plc. The convertible bonds bear interest at 8% to 14% per annum, payable semi-annually in arrear, and are repayable on 8 July 2014 (the "Maturity Date").

The holder of convertible bonds has the right at any time, prior to the Maturity Date, to convert all or any portion of the convertible bonds into conversion shares ("Voluntary Conversion"), or in the event of a Qualified IPO as defined in the convertible bonds subscription deed, a mandatory conversion of all outstanding principal amounts into conversion shares ("Mandatory Conversion"). The number of conversion shares to be issued pursuant to a Voluntary Conversion or a Mandatory Conversion will be determined by a conversion price of USD39.8 per share, subject to anti-dilution adjustment.

The outstanding principal amount of convertible bonds together with any unpaid interest shall, unless previously converted into shares or redeemed, be repaid in full if the Qualified IPO has not occurred on the Maturity Date.

On 17 July 2009, part of the proceeds of the convertible bonds issue was injected into Fujian Wide Plus through the increase of its registered and paid up capital from USD13,000,000 to USD20,000,000.

Further details of the convertible bonds issue are set out in section headed "History and Development" in the Document.

E SUBSEQUENT FINANCIAL STATEMENTS

No statutory financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong