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CHINA HIGH PRECISION AUTOMATION GROUP LIMITED
中國高精密自動化集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 591)

FURTHER CLARIFICATION ANNOUNCEMENT IN RESPECT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011 AND ANNOUNCEMENT FOR RESUMPTION OF TRADING

Upon approval obtained by the Company in March 2012 from the responsible governmental department of the PRC, the Company is permitted to disclose that the confirmation was obtained from the Administration for the Protection of State Secrets of Fujian Province (福建省國家保密局) on 19 October 2011 confirming that the business of the Group involves state secrets.

As announced in Announcement dated 22 February 2012, Zhonglei, an independent professional advisor, has been appointed to conduct the Independent Review and Investigation. On 30 July 2012, Zhonglei completed the Independent Review and Investigation.

As announced in the Announcement dated 22 February 2012, Pan-China, certified public accountants, has been appointed to perform the Special Audit. On 30 July 2012, Pan-China completed the Special Audit.

As announced in the Announcement dated 27 October 2011, the Company has sought legal opinion from its legal adviser as to PRC laws. In addition, the Company retained the PRC Legal Adviser to give a second opinion in relation to the Secrecy Law.

Having reviewed the relevant documents and taken into consideration of the Overall Information, the Special Committee therefore recommends the Board (including INEDs) and Audit Committee to review and accept the Overall Information. In view of the recommendation and the evaluation made by the Board (including INEDs) and Audit Committee on the Overall Information, they also reached the conclusion that the consolidated financial statements of the Group for year ended 30 June 2011 (a) do give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards; and (b) have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The Board (including INEDs) and Audit committee are also of the view that (i) the management's representations regarding the Audit Issues are true and correct in all material respects; (ii) all information and figures contained in the Annual Results Announcement are correct in all material respects; and (iii) the annual results of the Group for the year ended 30 June 2011 are accurate and reliable in all respects.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 2:17 p.m. on Thursday, 27 October 2011. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 August 2012.

Reference is made to the announcements (each an "**Announcement**", collectively "**Announcements**") of China High Precision Automation Group Limited ("**Company**") dated 26 September 2011, 27 October 2011 and 22 February 2012 respectively. Terms used in this announcement shall have the same meanings as defined in the Announcements unless the context otherwise requires.

BACKGROUND

In order to address the alleged inconsistencies identified by KPMG between the information contained in the Group's accounting records and the information independently obtained by KPMG after issue of the Annual Results Announcement, on 22 February 2012, the Special Committee appointed Zhonglei Risk Advisory Services Limited ("**Zhonglei**") to perform an independent review and investigation in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" so as to assist the Special Committee to evaluate the impact in relation to the disclaimer of opinion of scope limitation in the Auditor's Report issued by KPMG.

On the same day, the Special Committee also appointed Pan-China (H.K.) CPA Limited ("**Pan-China**") to perform a special audit on the consolidated financial statements of the Group for the year ended 30 June 2011.

FURTHER INFORMATION

Upon approval obtained by the Company in March 2012 from the responsible governmental department of The People's Republic of China ("**PRC**"), the Company is permitted to disclose that the confirmation was obtained from the Administration for the Protection of State Secrets of Fujian Province (福建省國家保密局) ("**Administration for the Protection of State Secrets**") on 19 October 2011 confirming that the business of the Group involves state secrets.

The Company wishes to state that certain products of the Group are used in recent aerospace projects in the PRC. The principal operating indirect wholly owned subsidiary of the Company is Fujian Wide Plus Precision Instruments Co., Ltd. ("Fujian WP")

COMPLETION OF INDEPENDENT REVIEW AND INVESTIGATION

As announced in Announcement dated 22 February 2012, Zhonglei, an independent professional advisor, has been appointed to conduct the Independent Review and Investigation.

On 30 July 2012, Zhonglei completed the Independent Review and Investigation. The Independent Review and Investigation was performed in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information".

Summary of its work done include, amongst others, (i) conducting independent interview with the relevant tax authority in the PRC, State Administration of Taxation of Fuzhou Economic and Technological Development Zone (福州經濟技術開發區國稅局) ("**Tax Bureau**") in order to understand the condition of tax return, tax concession and tax payment in respect of Fujian WP; (ii) conducting independent interviews with the Company's major customers and suppliers; (iii) understanding the basis for disclaimer of opinion in the Auditor's Report through discussion with the relevant parties and the Audit Committee; (iv) visiting the Administration for the Protection of State Secrets, relevant bureau of statistics, Mawei District Bureau of Statistics (馬尾區統計局) and the relevant administration for industry and commerce, Fuzhou Economic and Technological Development Zone Administration for Industry and Commerce (福州經濟技術開發區工商行政管理局); and (v) engaging an independent legal adviser in the PRC to advise on the authenticity of the interviews described in item (iv) above and the applicability and the validity of the relevant PRC laws and regulations.

Summary of the major findings from the Independent Review and Investigation are as follows:

(a) Whether the Group's business involves state secrets

The Company's management had represented that the business of the wholly-owned subsidiary of the Company, Fujian WP, involves state secrets ("**Representation**").

In the course of Zhonglei's investigation, it was found that the Administration for the Protection of State Secrets had issued a document on 19 October 2011 ("**Official Letter**") confirming that the business of Fujian WP involves state secrets. As indicated in the Official Letter, in disclosing operational data pursuant to the relevant laws and regulations, Fujian WP shall not disclose information involving state secrets; when being audited by the relevant auditing unit, Fujian WP shall adopt secret-protection measures and shall not provide the auditing unit with any information involving state secrets.

In an interview conducted by Zhonglei with the Administration for the Protection of State Secrets, the relevant officials had stated that the business of Fujian WP involves state secrets ("**First Official Confirmation**").

In an interview conducted by Zhonglei with the Tax Bureau, the relevant officials had also stated that Fujian WP is a unit involving state secrets ("**Second Official Confirmation**").

In the course of Zhonglei's investigation under the agreed-upon procedures, no significant contradiction was found between its finding, the Representation, the Official Letter, the First Official Confirmation and the Second Official Confirmation.

(b) The inconsistencies as alleged by KPMG

The inconsistencies as alleged by KPMG in the Auditor's Report refers to the inconsistencies between the information contained in the Group's accounting records and the information independently obtained.

During Zhonglei's investigation under the agreed-upon procedures, no significant contradiction was found between its finding and the representations from the Board regarding the inconsistencies of the information contained in the Group's accounting records and the information independently obtained from certain information disclosure platform of governmental departments in the PRC.

(c) **The reason(s) causing the inconsistencies between the information as contained in the accounting records of the Group and the information as contained in the certain information disclosure platform of governmental departments in the PRC**

As explained by the Company's management ("**Explanation**"), the inconsistencies between the information as contained in the accounting records of the Group and the information as contained in certain information disclosure platform of governmental departments in the PRC are caused by compliance with the Law of the People's Republic of China on Guarding State Secrets (中華人民共和國保守國家秘密法) ("**Secrecy Law**"). Such situation is in line with the requirements under the Secrecy Law that the relevant information disclosing unit of governmental departments must process the information involving state secrets before disseminating the same.

Taking into account its factual findings and the opinion from its legal adviser, Zhonglei concludes that, in carrying out the agreed-upon procedure in the investigation, no significant contradiction was found between the Explanation and its findings.

(d) **During the Special Audit, whether there are any difficulties which cannot be solved causing Pan-China to deliver an independent auditor's report with qualifications**

As represented by the Company's management ("**Representations**"), if an auditor can understand the inconsistencies between the information as contained in the accounting records of the Group and the information as contained in the certain information disclosure platform of governmental departments in the PRC are caused by compliance with the Secrecy Law, the Company's management considered that an auditor will be able to deliver an auditor's report without qualifications in accordance with the relevant audit standard of Hong Kong.

According to Zhonglei's investigation under the agreed-upon procedures by conducting an interview with Pan-China, there is no significant contradiction between its finding and the Representations from the Company's management.

COMPLETION OF THE SPECIAL AUDIT

As announced in the Announcement dated 22 February 2012, Pan-China, certified public accountants, has been appointed to perform the Special Audit.

Pan-China has been engaged by the Special Committee to perform the Special Audit under the Hong Kong Standards on Auditing. In regard to the issue of inconsistencies of information, Pan-China has performed the followings:

1. Pan-China has communicated with KPMG and received response from KPMG advising that the audit issues were those referred to in the Company's announcements dated 27 October 2011 and 29 November 2011.

2. Pan-China has reviewed and discussed the scope and findings of the Independent Review and Investigation of Zhonglei. The conclusion is that the information as submitted by the Group to the relevant governmental departments is the same as those contained in the Group's accounting records.

3. During the Independent Review and Investigation, Zhonglei has held interviews with officials of the relevant governmental departments. In particular, Pan-China was present at the interview with the tax bureau. The tax bureau official had verbally confirmed that

the sales and profit data as reported in the Group's tax filing documents were the same as those contained in the Group's accounting records and that the Group did not have any outstanding tax issues with the tax bureau.

4. The Company has engaged legal advisers who provided legal opinions clarifying the state secrets issue and Pan-China has reviewed such legal opinions.

5. During the Special Audit, Pan-China performed audit procedures to ensure the validity and completeness of the Group's turnover as recorded in the books and accounting records. Pan-China also checked that sales transactions have been subsequently settled and cash have been received from the Group's customers.

Pan-China is satisfied that sufficient audit work has been done to address the issue of the inconsistencies as raised by KPMG and that there was no evidence to conclude that there were irregularities on the turnover and business transactions of the Group as reported in the Group's financial statements for the year ended 30 June 2011. On that basis, Pan-China is in the position to issue an unqualified audit opinion.

On 30 July 2012, Pan-China completed the Special Audit.

Extracts of the report on the Special Audit are as follows:

(a) Independent Auditors' Report

TO THE SPECIAL COMMITTEE OF CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China High Precision Automation Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 3 to 63, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Pursuant to the terms as stipulated in our engagement letter, we have performed a special audit on the consolidated financial statements of the Group for the year ended 30 June 2011. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matter

The consolidated financial statements of the Group for the year ended 30 June 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 13 October 2010.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Hong Kong, 30 July 2012

Chan Kin Wai
Practising Certificate Number P05342

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011
(Expressed in Renminbi Yuan)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Turnover	3	**900,613**	667,583
Cost of sales		**(462,169)**	(350,961)
Gross profit		**438,444**	316,622
Other revenue	4	**16,527**	12,075
Other net (loss)/income	4	**(12,387)**	1,785
Distribution costs		**(4,490)**	(5,679)
Administrative expenses		**(71,690)**	(43,621)
Profit from operations		**366,404**	281,182
Finance costs	5(a)	**—**	(9,818)
Profit before taxation	5	**366,404**	271,364
Income tax	6(a)	**(62,011)**	(43,706)
Profit for the year attributable to equity shareholders of the Company		**304,393**	227,658
Earnings per share (RMB cents)	10		
— basic		**29.34**	24.47
— diluted		**29.32**	24.47

The notes on pages 11 to 63 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011
(Expressed in Renminbi Yuan)

	2011 RMB'000	2010 RMB'000
Profit for the year attributable to equity shareholders of the Company	**304,393**	227,658
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(5,504)**	(6,089)
Total comprehensive income for the year attributable to equity shareholders of the Company	**298,889**	221,569

The notes on pages 11 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011
(Expressed in Renminbi Yuan)

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Property, plant and equipment	12	**265,441**	166,040
Construction in progress	13	**180,877**	30,308
Interests in leasehold land held for own use under operating leases	14	**10,088**	10,315
Prepayments for construction costs		**4,455**	3,682
Deposits for the purchase of property, plant and equipment		**57,665**	18,702
Deferred tax assets	22(b)	**2,466**	2,489
		520,992	231,536
Current assets			
Inventories	17	**50,546**	38,462
Trade and other receivables	18	**417,129**	284,269
Cash and cash equivalents	19	**1,257,031**	1,369,617
		1,724,706	1,692,348
Current liabilities			
Trade and other payables	20	**196,250**	159,454
Current taxation	22(a)	**18,050**	11,921
Provision for warranties	23	**500**	1,139
		214,800	172,514
Net current assets		**1,509,906**	1,519,834
Total assets less current liabilities		**2,030,898**	1,751,370

The notes on pages 11 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 (continued)
(Expressed in Renminbi Yuan)

	Note	**2011** *RMB'000*	2010 *RMB'000*
Non-current liabilities			
Deferred tax liabilities	22(b)	**18,022**	17,966
		18,022	17,966
NET ASSETS		**2,012,876**	1,733,404
CAPITAL AND RESERVES	25		
Share capital		**91,360**	91,360
Reserves		**1,921,516**	1,642,044
TOTAL EQUITY		**2,012,876**	1,733,404

The notes on pages 11 to 63 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION
At 30 June 2011
(Expressed in Renminbi Yuan)

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Investments in subsidiaries	15	**944,396**	1,046,330
Current assets			
Amount due from a subsidiary	16	**50,000**	50,000
Prepayments and other receivables	18	**—**	175
Cash and cash equivalents	19	**502**	86
		50,502	50,261
Current liabilities			
Other payables and accruals	20	**1,564**	1,579
		1,564	1,579
Net current assets		**48,938**	48,682
NET ASSETS		**993,334**	1,095,012
CAPITAL AND RESERVES	25(a)		
Share capital		**91,360**	91,360
Reserves		**901,974**	1,003,652
TOTAL EQUITY		**993,334**	1,095,012

The notes on pages 11 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB'000*	Share premium *(note 25(d)(i))* *RMB'000*	Capital reserve *(note 25(d)(ii))* *RMB'000*	Surplus reserve *(note 25(d)(iii))* *RMB'000*	Share-based payment reserve *(note 25(d)(iv))* *RMB'000*	Other reserve *(note 25(d)(v))* *RMB'000*	Exchange reserve *(note 25(d)(vi))* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 July 2009		342	—	—	70,216	27,365	2,982	3,513	265,613	370,031
Changes in equity for the year ended 30 June 2010:										
Profit for the year		—	—	—	—	—	—	—	227,658	227,658
Other comprehensive income		—	—	—	—	—	—	(6,089)	—	(6,089)
Total comprehensive income		—	—	—	—	—	—	(6,089)	227,658	221,569
Issuance of convertible bonds		—	—	2,018	—	—	—	—	—	2,018
Shares issued upon issuance of convertible bonds	25(a)	1	—	—	—	—	—	—	—	1
Redemption of shares upon conversion of convertible bonds	25(a)	(1)	—	—	—	—	—	—	—	(1)
Shares issued upon conversion of convertible bonds	21,25(a)	78	223,383	(2,018)	—	—	—	—	—	221,443
Capitalisation issue	25(a)	65,625	(65,625)	—	—	—	—	—	—	—
Shares issued under placing and public offering, net of share issuing expenses	25(a)	25,315	893,028	—	—	—	—	—	—	918,343
Balance at 30 June 2010		91,360	1,050,786	—	70,216	27,365	2,982	(2,576)	493,271	1,733,404

The notes on pages 11 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011 (continued)
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium *(note 25(d)(i))*	Capital reserve *(note 25(d)(ii))*	Surplus reserve *(note 25(d)(iii))*	Share-based payment reserve *(note 25(d)(iv))*	Other reserve *(note 25(d)(v))*	Exchange reserve *(note 25(d)(vi))*	Retained profits	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2010		**91,360**	**1,050,786**	**—**	**70,216**	**27,365**	**2,982**	**(2,576)**	**493,271**	**1,733,404**
Changes in equity for the year ended 30 June 2011:										
Profit for the year		—	—	—	—	—	—	—	304,393	304,393
Other comprehensive income		—	—	—	—	—	—	(5,504)	—	(5,504)
Total comprehensive income		—	—	—	—	—	—	(5,504)	304,393	298,889
Dividend declared and paid	25(a)	—	(45,256)	—	—	—	—	—	—	(45,256)
Equity settled share-based payments	25(a)	—	—	—	—	25,839	—	—	—	25,839
Appropriation to surplus reserve		—	—	—	60,125	—	—	—	(60,125)	—
Balance at 30 June 2011		91,360	1,005,530	—	130,341	53,204	2,982	(8,080)	737,539	2,012,876

The notes on pages 11 to 63 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011
(Expressed in Renminbi Yuan)

	Note	**2011**	2010
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations	19(b)	**270,895**	264,250
PRC income tax paid		**(55,803)**	(42,004)
Net cash generated from operating activities		**215,092**	222,246
Investing activities			
Payment for the purchase of property, plant and equipment		**(142,399)**	(29,895)
Payment for construction in progress		**(154,967)**	(52,687)
Interest received		**14,944**	8,414
Net cash used in investing activities		**(282,422)**	(74,168)
Financing activities			
Proceeds from bank loans		—	158,174
Repayment of bank loans		—	(237,171)
Interest paid		—	(16,388)
Proceeds from issuance of convertible bonds		—	238,990
Payment for convertible bonds issuing expenses		—	(23,611)
Proceeds from issuance of new shares under placing and public offering		—	1,012,575
Payment for share issuing expenses		—	(94,091)
Decrease in amount due to a related party		—	(20,413)
Dividend paid		**(45,256)**	—
Net cash (used in)/generated from financing activities		**(45,256)**	1,018,065
Net (decrease)/increase in cash and cash equivalents		**(112,586)**	1,166,143
Cash and cash equivalents at beginning of the year		**1,369,617**	203,474
Cash and cash equivalents at end of the year	19(a)	**1,257,031**	1,369,617

The notes on pages 11 to 63 form part of these consolidated financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of the Group for the year ended 30 June 2011 were audited by KPMG, Certified Public Accountants ("KPMG"), the then existing auditors of the Company. In their auditor's report of 26 October 2011, a disclaimer of opinion arising from limitation of scope was issued. Consequently, an independent special committee (the "Special Committee") was established by the Company. As disclosed in the Company's announcement of 22 February 2012, Zhonglei Risk Advisory Services Limited, an independent professional advisor, was appointed by the Special Committee to perform an Independent Review and Investigation so as to assist the Special Committee to evaluate the impact in relation to KPMG's disclaimer of opinion. The Special Committee also appointed Pan-China (H.K.) CPA Limited, independent certified public accountants, to perform a special audit (the "Special Audit") on the consolidated financial statements of the Group for the year ended 30 June 2011, which were prepared by the directors of the Company for the purpose of the Special Audit.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2011 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The consolidated financial statements are presented in Renminbi Yuan ("RMB"), rounded to the nearest thousand. The functional currency of the Company and its subsidiary in Hong Kong is Hong Kong dollars ("HK$"), and the functional currency of the Company's subsidiary in Fujian, the PRC is RMB.

The preparation of financial statements 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 these financial statements and major sources of estimation uncertainty 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 are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements 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 consolidated financial statements. 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 statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(h)(ii)).

(d) Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent payments made to acquire leasehold land, and are carried at cost less accumulated amortisation and impairment losses (see note 1(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leasehold land.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)).

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:

— Plant and machineries	10–20 years
— Buildings	20 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)(ii)). Cost comprises direct costs of construction as well as borrowing costs (see note 1(v)). 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 the end of each reporting period 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 follows:

Impairment loss is measured 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 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 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 the end of each reporting period 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;

— construction in progress;

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

— prepayments for construction costs;

— deposits for the purchase of property, plant and equipment; and

— investments in subsidiaries.

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 fair value less costs to sell 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 the 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 if 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 when 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 allowance for impairment of doubtful debts (see note 1(h)(i)), 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 allowance for impairment of doubtful debts (see note 1(h)(i)).

(k) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. The derivative component embedded in the convertible bonds is accounted for as a derivative financial instrument (see note 1(n)).

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The derivative component is initially measured at fair value. Any excess of proceeds over the amount initially recognised as the liability component and the derivative component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability, derivative and equity components in proportion to the allocation of proceeds. The portion relating to derivative component is recognised immediately to profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative component is subsequently remeasured in accordance with note 1(n). The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the convertible bonds are converted, the capital reserve, together with the carrying amount of the liability component and derivative component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the capital reserve is released directly to retained profits.

(l) 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 the amount initially recognised 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.

(m) Trade and other payables

Trade and other payables 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.

(n) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(o) 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.

(p) 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 appropriate 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 staff cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at the grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the directors and 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 resulting 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 staff cost qualify for recognition as an asset, with a corresponding adjustment to the share-based payment 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 share-based payment 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 share-based payment 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.

(q) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(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 the tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(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.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, 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.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 goods, 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

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(t) 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 end of the reporting period. 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 entities with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a subsidiary with functional currency other than RMB, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) 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.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

For the purposes of the financial statements, 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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Improvements to HKFRSs (2009)

— Improvements to HKFRSs (2010)

— HK(IFRIC)19, Extinguishing financial liabilities with equity instruments

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

3 TURNOVER

The principal activities of the Group are the manufacture and sales of high precision industrial automation instrument and technology products as well as horological instruments.

Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes. The amount of each significant category of revenue recognised during the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Sales of automation instrument and technology products	**741,597**	527,954
Sales of horological instruments	**159,016**	139,629
	900,613	667,583

During the year ended 30 June 2011, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2010: Nil).

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Bank interest income	**14,944**	3,967
Loan interest income *(Note (i))*	**—**	4,447
Government grants *(Note (ii))*	**1,583**	3,661
	16,527	12,075
Other net (loss)/income		
Net foreign exchange (loss)/gain	**(12,387)**	1,785

Notes:

(i) Loan interest income represents the interest income earned from a short-term interest bearing loan of USD21.7 million (equivalent to RMB148.2 million) granted to a shareholder, Fortune Plus Holdings Limited on 8 July 2009. The loan carried interest at LIBOR plus a margin of 8% per annum and was repayable on demand. The loan was fully repaid on 13 November 2009.

(ii) Government grants represent various forms of incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

5 PROFIT BEFORE TAXATION

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

	2011	2010
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	—	9,818
Interest on convertible bonds	—	11,386
Less: borrowing costs capitalised as construction in progress	—	(11,386)
	—	9,818

	2011	2010
	RMB'000	*RMB'000*
(b) Staff costs:		
Contributions to defined contribution retirement plans	**1,105**	694
Equity-settled share-based payment expenses *(note 24)*	**25,839**	—
Salaries, wages and other benefits	**38,798**	32,490
	65,742	33,184

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 employees covered under the Scheme.

The Group maintains a mandatory provident fund scheme (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 HK$20,000) 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.

	2011	2010
	RMB'000	*RMB'000*
(c) Other items:		
Depreciation	**17,047**	8,732
Amortisation	**227**	114
Reversal of impairment losses on trade and other receivables *(note 18(b))*	**(612)**	(1,831)
Research and development costs	**10,318**	10,066
(Reversal of)/increase in provision for warranties *(note 23)*	**(444)**	264
Auditors' remuneration	**1,603**	2,510
Operating lease charges in respect of properties	**1,859**	1,835
Listing expenses	**—**	13,323
Cost of inventories *	**462,169**	350,961

* Cost of inventories includes RMB34,372,000 (2010: RMB26,700,000) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATION INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year	**61,932**	43,338
Deferred tax		
Origination and reversal of temporary differences *(note 22(b))*	**79**	368
	62,011	43,706

(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 year.

(iii) Pursuant to the income tax rules and regulations of the PRC, 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 Precision Instrument Co., Ltd. ("Fujian Wide Plus") was recognised as an ANTE as approved by the relevant authorities.

From 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As Fujian Wide Plus is directly and wholly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax under the double tax arrangement between Hong Kong and the PRC. 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.

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

	2011 ***RMB'000***	2010 *RMB'000*
Profit before taxation	**366,404**	271,364
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**102,385**	70,076
Tax concessions	**(40,930)**	(29,766)
Tax effect of non-deductible expenses	**556**	3,396
Actual income tax expense	**62,011**	43,706

7 DIRECTORS' REMUNERATION

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

2011

	Fees ***RMB'000***	**Basic salaries, allowances and other benefits in kind** ***RMB'000***	**Contributions to retirement benefit scheme** ***RMB'000***	**Share-based payments** ***RMB'000***	**Bonuses** ***RMB'000***	**Total** ***RMB'000***
Executive directors						
Mr. Wong Fun Chung	**—**	**1,050**	**10**	**530**	**—**	**1,590**
Mr. Zou Chong	**—**	**477**	**3**	**3,975**	**—**	**4,455**
Mr. Su Fang Zhong	**—**	**477**	**—**	**3,975**	**—**	**4,452**
Mr. Cheung Chuen	**—**	**776**	**10**	**1,988**	**—**	**2,774**
Independent non-executive directors						
Dr. Hu Guo Qing	**102**	**—**	**—**	**133**	**—**	**235**
Ms. Ji Qin Zhi	**102**	**—**	**—**	**133**	**—**	**235**
Mr. Chan Yuk Hiu, Taylor	**102**	**—**	**—**	**133**	**—**	**235**
Total	**306**	**2,780**	**23**	**10,867**	**—**	**13,976**

2010

	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	—	798	7	—	—	805
Mr. Zou Chong	—	382	3	—	—	385
Mr. Su Fang Zhong	—	382	2	—	—	384
Mr. Cheung Chuen	—	713	11	—	264	988
Independent non-executive directors						
Dr. Hu Guo Qing	70	—	—	—	—	70
Ms. Ji Qin Zhi	70	—	—	—	—	70
Mr. Chan Yuk Hiu, Taylor	88	—	—	—	—	88
Total	228	2,275	23	—	264	2,790

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three individuals were also directors of the Company (2010: four) whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the other two individuals (2010: one) are as follows:

	2011	2010
	RMB'000	*RMB'000*
Contributions to retirement benefit scheme	**19**	10
Salaries and other emoluments	**657**	484
Equity-settled share-based payments	**6,759**	—
	7,435	494

The emoluments of the remaining individual are within the following bands:

	2011	2010
	Number of individuals	*Number of individuals*
HK$Nil to HK$1,000,000	**—**	1
HK$2,000,001 to HK$3,000,000	**1**	—
HK$6,000,001 to HK$7,000,000	**1**	—
	2	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB33,394,000 (2010: RMB32,848,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB304,393,000 (2010: RMB227,658,000) and the weighted average number of 1,037,500,000 ordinary shares (2010: 930,230,000 ordinary shares) in issue during the year, calculated as follows:

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,037,500**	3,800
Effects of shares issued upon conversion of convertible bonds	**—**	561
Number of ordinary shares issued under capitalisation issue *(note 25(c))*	**—**	745,321
Effect of ordinary shares issued upon placing and public offering	**—**	180,548
Weighted average number of ordinary shares (basic)	**1,037,500**	930,230

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB304,393,000 (2010: RMB227,658,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted under the share option scheme (see note 24) assuming they were exercised during the year.

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares (basic)	**1,037,500**	930,230
Effect of deemed issue of shares under the Company's share option scheme	**547**	—
Effect of conversion of convertible bonds	**—**	301
Weighted average number of ordinary shares (diluted)	**1,038,047**	930,531

11 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable 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.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, provision for warranties and current tax payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at reportable segment profit, the Group's profit from operations is adjusted for items not specifically attributed to individual segments, such as head office or corporate administrative expenses. In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue and additions to non-current segment assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2011 and 2010 is set out below.

	Automation instrument and technology products		**Horological instruments**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**741,597**	527,954	**159,016**	139,629	**900,613**	667,583
Reportable segment profit (adjusted profit from operations)	**361,794**	242,855	**62,453**	49,879	**424,247**	292,734

	Automation instrument and technology products		**Horological instruments**		**Total**	
	At 30 June 2011	At 30 June 2010	**At 30 June 2011**	At 30 June 2010	**At 30 June 2011**	At 30 June 2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**737,751**	403,758	**182,317**	148,130	**920,068**	551,888
Addition to non-current segment assets during the year	**217,189**	55,091	**46,801**	10,715	**263,990**	65,806
Reportable segment liabilities	**106,316**	94,557	**33,203**	60,619	**139,519**	155,176

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

	2011 *RMB'000*	2010 *RMB'000*
Revenue		
Reportable segment revenue	**900,613**	667,583
Consolidated turnover	**900,613**	667,583

	2011 *RMB'000*	2010 *RMB'000*
Profit		
Reportable segment profit	**424,247**	292,734
Unallocated head office and corporate expenses	**(57,843)**	(21,370)
Consolidated profit before taxation	**366,404**	271,364

	2011 *RMB'000*	2010 *RMB'000*
Assets		
Reportable segment assets	**920,068**	551,888
Unallocated head office and corporate assets	**1,325,630**	1,371,996
Consolidated total assets	**2,245,698**	1,923,884

	2011 *RMB'000*	2010 *RMB'000*
Liabilities		
Reportable segment liabilities	**139,519**	155,176
Unallocated head office and corporate liabilities	**93,303**	35,304
Consolidated total liabilities	**232,822**	190,480

(c) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, interests in leasehold land held for own use under operating leases, prepayments for construction cost and deposits for the purchase of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		**Specified non-current assets**	
			At 30 June	At 30 June
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**41,406**	40,175	**1,167**	186
PRC (excluding Hong Kong)	**859,207**	627,408	**517,359**	228,861
	900,613	667,583	**518,526**	229,047

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and machineries *RMB'000*	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Total *RMB'000*
Cost:						
At 1 July 2009	75,882	—	2,782	922	2,859	82,445
Additions	26,240	—	1,179	1,542	934	29,895
Transfer from construction in progress *(note 13)*	47,632	39,990	—	—	—	87,622
Exchange adjustment	—	—	(4)	—	(3)	(7)
At 30 June 2010	149,754	39,990	3,957	2,464	3,790	199,955
At 1 July 2010	149,754	39,990	3,957	2,464	3,790	199,955
Additions	94,594	7,853	7,347	269	2,792	112,855
Transfer from construction in progress *(note 13)*	3,627	—	—	—	—	3,627
Exchange adjustment	—	—	(18)	—	(43)	(61)
At 30 June 2011	247,975	47,843	11,286	2,733	6,539	316,376
Accumulated depreciation:						
At 1 July 2009	21,835	—	1,433	207	1,714	25,189
Charge for the year	7,582	167	390	163	430	8,732
Exchange adjustment	—	—	(4)	—	(2)	(6)
At 30 June 2010	29,417	167	1,819	370	2,142	33,915
At 1 July 2010	29,417	167	1,819	370	2,142	33,915
Charge for the year	13,849	1,783	585	222	608	17,047
Exchange adjustment	—	—	(18)	—	(9)	(27)
At 30 June 2011	43,266	1,950	2,386	592	2,741	50,935
Net book value:						
At 30 June 2010	120,337	39,823	2,138	2,094	1,648	166,040
At 30 June 2011	204,709	45,893	8,900	2,141	3,798	265,441

13 CONSTRUCTION IN PROGRESS

	The Group
	RMB'000
At 1 July 2009	71,043
Additions	46,887
Transfer to property, plant and equipment *(note 12)*	(87,622)
At 30 June 2010	30,308
At 1 July 2010	30,308
Additions	154,196
Transfer to property, plant and equipment *(note 12)*	(3,627)
At 30 June 2011	180,877

Construction in progress comprises costs incurred on plant and machineries and buildings not yet completed at the end of respective reporting periods.

14 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Cost:		
At 1 July 2009, 30 June 2010 and 30 June 2011	**10,656**	10,656
Accumulated amortisation:		
At 1 July 2010/2009	**114**	—
Charge for the year	**227**	114
At 30 June 2011/2010	**341**	114
Net book value:		
At 30 June	**10,315**	10,542

	2011	2010
	RMB'000	*RMB'000*
Representing:		
Non-current portion	**10,088**	10,315
Current portion included in "Other prepayments, deposits and receivables" *(note 18)*	**227**	227
	10,315	10,542

Interests in leasehold land held for own use under operating leases represent payments for land use rights in the PRC with lease term expiring in 2056.

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted equities, at cost	**342**	342
Amounts due from subsidiaries	**944,054**	1,045,988
	944,396	1,046,330

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, except for the amount as disclosed in note 16, the amounts due from subsidiaries will not be repaid within twelve months from the end of the reporting period and are, therefore, presented in the statement of financial position as non-current.

Details of the Company's subsidiaries at 30 June 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Wide Plus High Precision Automation Limited	Hong Kong	10,000 shares of HK$1 each	100%	—	Investment holding
Fujian Wide Plus Precision Instrument Co., Ltd. ("Fujian Wide Plus")*	PRC	RMB557,937,866	—	100%	Manufacture and sale of high precision industrial automation instrument and technology products and multi-functional all plastic quartz watch movements

* Fujian Wide Plus is a wholly foreign owned enterprise established in PRC. The English translation of the company name is for reference only. The official name of Fujian Wide Plus is in Chinese.

16 AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the amount will be repaid within twelve months from the end of the reporting period.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Raw materials and consumables	**38,605**	29,046
Work in progress	**5,463**	3,002
Finished goods	**6,478**	6,414
	50,546	38,462

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	**462,169**	350,961

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**414,003**	281,936	**—**	—
Less: allowance for doubtful debts *(note 18(b))*	**(1,212)**	(1,824)	**—**	—
	412,791	280,112	**—**	—
Other prepayments, deposits and receivables	**4,338**	4,157	**—**	175
	417,129	284,269	**—**	175

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year. The Group's credit policy is set out in note 26(a). The Group generally grants credit periods of 120 days to 150 days from the date of billing to its customers.

(a) Ageing analysis

An ageing analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired (current)	**412,445**	278,688
Less than 1 month past due	**1**	664
1 to 3 months past due	**345**	760
Amounts past due	**346**	1,424
	412,791	280,112

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)(i)).

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

	2011	2010
	RMB'000	*RMB'000*
At 1 July 2010/2009	**1,824**	3,655
Write-back of impairment losses	**(1,824)**	(3,655)
Impairment loss recognised	**1,212**	1,824
At 30 June 2011/2010	**1,212**	1,824

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,212,000 (2010: RMB1,824,000) were recognised. The Group does not hold any collateral over these balances.

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		**The Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Time deposits	**119,240**	586,656	**—**	—
Cash at bank and in hand	**1,137,791**	782,961	**502**	86
	1,257,031	1,369,617	**502**	86

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2011 RMB'000	2010 RMB'000
Profit before taxation		**366,404**	271,364
Adjustments for:			
— Depreciation	5(c)	**17,047**	8,732
— Amortisation	5(c)	**227**	114
— Finance costs	5(a)	**—**	9,818
— Interest income	4	**(14,944)**	(8,414)
— Equity-settled share-based payment expenses	5(b)	**25,839**	—
— Listing expenses	5(c)	**—**	13,323
— Unrealised exchange differences		**(5,471)**	(2,823)
Operating profit before changes in working capital		**389,102**	292,114
Increase in inventories		**(12,084)**	(9,832)
Increase in trade and other receivables		**(132,860)**	(7,631)
Increase/(decrease) in trade and other payables		**27,376**	(4,754)
Decrease in amount due to a shareholder		**—**	(5,731)
(Decrease)/increase in provision for warranties		**(639)**	84
Cash generated from operations		**270,895**	264,250

(c) As at 30 June 2011, the balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB1,205,181,000 (2010: RMB1,359,287,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade payables	**139,019**	116,026	**—**	—
Other payables and accruals	**57,231**	43,428	**1,564**	1,579
	196,250	159,454	**1,564**	1,579

Included in trade and other payables are trade payables with the following ageing analysis at the end of the reporting period. The credit periods granted by various suppliers generally range from 120 days to 150 days.

	The Group	
	2011 RMB'000	2010 RMB'000
Due within 1 month or on demand	**3,643**	10,131
Due after 1 month but within 3 months	**78,575**	61,074
Due after 3 months but within 6 months	**56,801**	44,821
	139,019	116,026

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

21 CONVERTIBLE BONDS

On 8 July 2009, the Company issued convertible bonds (the "CBs") with a principal amount of USD35,000,000 (equivalent to RMB238,990,000) to Standard Bank Plc, an unrelated party. The CBs bear interest at 8% to 14% per annum, payable semi-annually in arrear, and are repayable on 8 July 2014 (the "Maturity Date").

Subject to the terms of the CB Subscription Deed, on 17 August 2009, part of the CBs in the principal amount of USD17,000,000 (equivalent to RMB116,081,000) was transferred by Standard Bank Plc to two unrelated parties, Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited as to USD16,660,000 (equivalent to RMB113,759,000) and USD340,000 (equivalent to RMB2,322,000) respectively.

The holder of the CBs has the right at any time, prior to the Maturity Date, to convert all or any portion of the CBs into conversion shares ("Voluntary Conversion"), or in the event of a Qualified IPO as defined in the CB 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 the CBs 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 10 November 2009 and in accordance with the terms and conditions of the CB Subscription Deed, the whole principal amount of the CBs issued to Standard Bank Plc, Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited was converted to 452,284, 418,615 and 8,543 Class A shares of the Company, representing 7.25%, 6.71% and 0.14% interests in the Company prior to the capitalisation issue respectively.

Movements of the convertible bonds are as follows:

		The Group and the Company			
		Liability component	**Derivative component**	**Equity component**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 July 2009		—	—	—	—
Issuance of convertible bonds, net of direct transaction costs		203,371	9,990	2,018	215,379
Interest charged for the year	5(a)	11,386	—	—	11,386
Interest paid during the year		(6,532)	—	—	(6,532)
Change in fair value of derivative component — embedded currency swap		—	3,228	—	3,228
Conversion into ordinary shares of the Company		(208,225)	(13,218)	(2,018)	(223,461)
At 30 June 2010 and 2011		—	—	—	—

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Provision for PRC Income Tax	**18,050**	11,921

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

	The Group			
	Provisions	**Accelerated tax depreciation**	**Undistributed profits of PRC subsidiary**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 July 2009	2,676	(160)	(17,625)	(15,109)
Charged to profit or loss	(187)	(181)	—	(368)
At 30 June 2010	2,489	(341)	(17,625)	(15,477)
At 1 July 2010	2,489	(341)	(17,625)	(15,477)
Charged to profit or loss	(23)	(56)	—	(79)
At 30 June 2011	2,466	(397)	(17,625)	(15,556)

	2011	2010
	RMB'000	*RMB'000*
Deferred tax assets recognised on the consolidated statement of financial position	**2,466**	2,489
Deferred tax liabilities recognised on the consolidated statement of financial position	**(18,022)**	(17,966)
	(15,556)	(15,477)

(c) Deferred tax not recognised:

At 30 June 2011, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to RMB953,765,000 (2010: RMB606,472,000). Deferred tax liabilities of RMB30,063,000 (2010: RMB12,698,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the PRC subsidiary and the directors have determined that a portion of these profits will not be distributed in the foreseeable future.

23 PROVISION FOR WARRANTIES

	The Group
	RMB'000
At 1 July 2009	1,055
Additional provision made	264
Provision utilised	(180)
At 30 June 2010	1,139
At 1 July 2010	1,139
Additional provision made	297
Provision utilised	(195)
Unutilised provision reversed	(741)
At 30 June 2011	500

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 end of the reporting period. The amount of provision takes into account the Group's recent claim experience and provision is only made where a warranty claim is probable.

24 EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to the shareholder's written resolution passed on 28 October 2009, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any directors and employees of the Group, to take up options to subscribe for the shares of the Company. The Scheme will remain in force for a period of 10 years from the effective date of such scheme and will expire on 13 November 2019.

Under the Scheme, the directors may at their discretion to grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. 39,000,000 share options were granted to the Company's directors and employees during the year ended 30 June 2011 (2010: Nil).

(a) The terms and conditions of the grants are as follows:

Date of grant		**Number of options granted**	**Vesting conditions**	**Contractual life of options**
Options granted to directors:				
18 March 2011	Lot 1	4,920,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	4,920,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	6,560,000	24.5 months after the date of grant	5 years
Options granted to employees:				
18 March 2011	Lot 1	6,780,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	6,780,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	9,040,000	24.5 months after the date of grant	5 years
		39,000,000		

(b) The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price	**Number of options '000**
Outstanding at 1 July 2009 and 2010	—	—
Granted during the year	HK$5.6	39,000
Outstanding at 30 June 2011	HK$5.6	39,000
Exercisable at 30 June 2011	HK$5.6	11,700

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes-Merton Option Pricing Model.

Fair value of share options and assumptions

	2011 Lot 1	2011 Lot 2	2011 Lot 3
Fair value at measurement date *(HK$)*	1.73789	1.88545	2.01633
Share price *(HK$)*	5.5	5.5	5.5
Exercise price *(HK$)*	5.6	5.6	5.6
Expected volatility	53.67%	53.67%	53.67%
Expected option life	2.5 years	3 years	3.5 years
Expected dividends	0.95%	0.95%	0.95%
Risk-free rate	0.77%	0.95%	1.14%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Share-based payment reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
Balance at 1 July 2009	342	—	—	27,365	(8)	(31,484)	(3,785)
Changes in equity for the year							
Profit for the year	—	—	—	—	—	(32,848)	(32,848)
Other comprehensive income	—	—	—	—	(10,159)	—	(10,159)
Total comprehensive income	—	—	—	—	(10,159)	(32,848)	(43,007)
Issuance of convertible bonds	—	—	2,018	—	—	—	2,018
Shares issued upon issuance of convertible bonds	1	—	—	—	—	—	1
Redemption of shares upon conversion of convertible bonds	(1)	—	—	—	—	—	(1)
Shares issued upon conversion of convertible bonds	78	223,383	(2,018)	—	—	—	221,443
Capitalisation issue	65,625	(65,625)	—	—	—	—	—
Shares issued under placing and public offering, net of share issuing expenses	25,315	893,028	—	—	—	—	918,343
Balance at 30 June 2010	91,360	1,050,786	—	27,365	(10,167)	(64,332)	1,095,012

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 July 2010	91,360	1,050,786	—	27,365	(10,167)	(64,332)	1,095,012
Changes in equity for the year							
Profit for the year	—	—	—	—	—	(33,394)	(33,394)
Other comprehensive income	—	—	—	—	(48,867)	—	(48,867)
Total comprehensive income	—	—	—	—	(48,867)	(33,394)	(82,261)
Dividend declared and paid	—	(45,256)	—	—	—	—	(45,256)
Equity settled share-based payments	—	—	—	25,839	—	—	25,839
Balance at 30 June 2011	91,360	1,005,530	—	53,204	(59,034)	(97,726)	993,334

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2011 ***RMB'000***	2010 *RMB'000*
Dividend proposed after the end of the reporting period of HK5.5 cents per ordinary share (2010: HK5 cents per ordinary share)	**47,454**	45,256

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Authorised and issued share capital

Movements of the authorised share capital of the Company during the year are as follows:

		Par value		**Number of shares**		**Nominal value of ordinary shares**	
	Note	**Class A shares** *HK$*	**Class B shares** *HK$*	**Class A shares** *'000*	**Class B shares** *'000*	*HK$'000*	*RMB'000*
Authorised:							
At 1 July 2009		0.1	0.001	5,000	2,000	502	442
Cancellation of shares	(i)(a)	—	0.001	—	(2,000)	(2)	(2)
Increase in authorised share capital on 10 November 2009	(i)(b)	0.1	—	9,995,000	—	999,500	880,060
At 30 June 2010 and 2011		0.1	—	10,000,000	—	1,000,000	880,500

A summary of the movements in the Company's issued share capital during the year are as follows:

		Par value		Number of shares		Nominal value of ordinary shares	
		Class A shares	Class B shares	Class A shares	Class B shares		
	Note	*HK$*	*HK$*	*'000*	*'000*	*HK$'000*	*RMB'000*
Issued and fully paid:							
At 1 July 2009		0.1	—	3,800	—	380	342
Issue of shares upon issuance of convertible bonds	(ii)(a)	—	0.001	—	879	1	1
Redemption of shares upon conversion of convertible bonds	(i)(a)	—	0.001	—	(879)	(1)	(1)
Issue of shares upon conversion of convertible bonds	(ii)(b)	0.1	—	879	—	88	78
Capitalisation issue	(ii)(c)	0.1	—	745,321	—	74,532	65,625
Issue of shares under placing and public offering	(ii)(d)	0.1	—	287,500	—	28,750	25,315
At 30 June 2010 and 2011		0.1	—	1,037,500	—	103,750	91,360

Notes:

(i) Authorised share capital

(a) Pursuant to the CB Subscription Deed entered into by the Company, upon mandatory conversion of the CBs on 10 November 2009, all Class B shares subscribed by the holders of the CBs were automatically redeemed by the Company at nil consideration and cancelled.

(b) By an ordinary resolution of the Company passed on 28 October 2009, immediately upon the conversion of the CBs as mentioned in (a) above, the authorised share capital of the Company be increased from HK$500,000 to HK$1,000,000,000 by the creation of an additional 9,995,000,000 shares of HK$0.1 each, ranking pari passu in all respects with the existing shares.

(ii) Issued share capital

(a) Issue of shares upon issuance of convertible bonds

On 8 July 2009, 879,442 Class B shares were issued to Standard Bank Plc, the subscriber of CBs at par value of HK$0.001 each.

(b) Issue of shares upon conversion of convertible bonds

As set out in note 21, on 10 November 2009, the entire principal amount of CBs was converted into 879,442 Class A shares of the Company.

(c) Capitalisation issue

Pursuant to the written resolutions on 28 October 2009, an amount of RMB65,625,000 standing to the credit of the share premium account of the Company was capitalised by allotment of 745,320,558 shares of HK$0.10 each to the existing shareholders of the Company, credited as fully paid.

(d) Issue of share under placing and public offering

On 13 November 2009, the Company issued 250,000,000 shares with a par value of HK$0.10 each, at a price of HK$4 per share upon listing of the shares of the Company on the Stock Exchange by way of a placing and public offering. On 19 November 2009, the Company issued an additional 37,500,000 shares with a par value of HK$0.10 each, at a price of HK$4 per share upon the exercise of the over-allotment option in connection with the global initial public offering. Net proceeds from such issues amounted to RMB918,343,000 (after offsetting listing expenses of RMB94,232,000), out of which RMB25,315,000 was recorded in share capital and RMB893,028,000 was recorded in share premium.

(iii) As at 30 June 2011, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserve

(i) Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Capital reserve

The capital reserve comprises the value of unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 1(k), which has been transferred to share capital and share premium as consideration for the share issued upon the convertion of the convertible bonds.

(iii) Surplus reserve

Pursuant to applicable PRC regulations, the PRC subsidiary of the Group are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be used, upon approval by the relevant authorities to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance of the reserve after such increase is not less than 25% of its registered capital.

(iv) Share-based payment reserve

Share-based payment reserve represents the fair value of employee services in respect of share options granted to certain directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(iii).

(v) Other reserve

Other reserve arisen from the Group's reorganisation completed on 3 April 2008.

(vi) 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(t).

(vii) Distributable reserve

At 30 June 2011, the aggregate amounts of distributable reserves available for distribution to the equity shareholders of the Company, including the distributable amounts disclosed in note 25(d)(i) were RMB907,804,000 (2010: RMB986,454,000). After the end of the reporting period, the directors proposed a dividend of HK5.5 cents per ordinary share (2010: HK5 cents per ordinary share), amounting to RMB47,454,000 (2010: RMB45,256,000). This dividend has not been recognised as a liability at the end of the reporting period.

(e) 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 advance from shareholders with no fixed terms of repayment, less unaccrued proposed dividends. On this basis, the amount of capital employed at 30 June 2011 was RMB1,965,422,000 (2010: RMB1,688,148,000).

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.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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 managed by the Group's financial risk management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade 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.

Trade receivables are presented net of the allowance for impairment of 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 evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade 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.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, the Group has a certain concentration of credit risk arising from trade receivables as 18% (2010: 8%) and 34% (2010: 32%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 30 June 2011.

The Group's bank deposits are placed with major financial institutions and the Group considers the credit risk to be insignificant. At the end of the reporting period, the Group has a certain concentration of credit risk arising from deposits with banks as 81% of total cash and cash equivalents were deposited at one financial institution in the PRC (2010: 56%).

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

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company'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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2011			2010		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within 1 year or on demand	**Total**	**Carrying amount at 30 June**	Within 1 year or on demand	Total	Carrying amount at 30 June
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	**196,250**	**196,250**	**196,250**	159,454	159,454	159,454

The Company

	2011			2010		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within 1 year or on demand	**Total**	**Carrying amount at 30 June**	Within 1 year or on demand	Total	Carrying amount at 30 June
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	**1,564**	**1,564**	**1,564**	1,579	1,579	1,579

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank. The following table details the interest rate profile of the Group's interest-generating financial assets at the end of the reporting period.

(i) Interest rate profile

	The Group			
	2011		2010	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate instruments:				
Time deposits	**0.35%–3.27%**	**119,240**	0.13%–1.79%	586,656
Variable rate instruments:				
Cash at bank	**0%–0.5%**	**1,137,551**	0%–0.36%	782,634
Total instruments		**1,256,791**		1,369,290

(ii) Sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB10,823,000 (2010: RMB12,134,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

(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 main raw materials from a limited group of suppliers. Interruption or reduction of supply of these raw materials could adversely affect the Group's financial performance. The Group's policy is to regularly monitor the stock level of raw materials to ensure that it maintains sufficient raw materials 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 year ended 30 June 2011, the Group's supplies of raw materials from the five largest suppliers represented 75% (2010: 72%) of the Group's total raw materials purchases.

(f) Currency risk

(i) Foreign currency transactions

The Group is exposed to foreign currency risk primarily through sales which give rise to receivables and cash balances 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 United States dollars ("USD") and Hong Kong dollars ("HK$"). During the year, sales denominated in these foreign currencies represented 5% (2010: 6%) of the Group's total turnover. The Group does not employ any financial instruments for hedging its exposures to foreign currency risk.

(ii) ***Recognised assets and liabilities***

In respect of other trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) ***Exposure to currency risk***

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Company does not expose to significant currency risks as the majority of the Company's assets and liabilities are denominated in Hong Kong Dollars.

The Group

	Exposure to foreign currencies (expressed in Renminbi Yuan)			
	2011		2010	
	Hong Kong Dollars	**United States Dollars**	Hong Kong Dollars	United States Dollars
	$'000	***$'000***	*$'000*	*$'000*
Trade and other receivables	**1,637**	**538**	10,678	281
Cash and cash equivalents	**128,673**	**105,316**	130,864	241,942
Trade and other payables	**(4,355)**	**(1,117)**	(160)	(634)
Overall exposure	**125,955**	**104,737**	141,382	241,589

(iv) ***Sensitivity analysis***

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits
		RMB'000		*RMB'000*
HK$	**5%**	**5,353**	5%	6,009
	(5)%	**(5,353)**	(5)%	(6,009)
USD	**5%**	**4,451**	5%	13,342
	(5)%	**(4,451)**	(5)%	(13,342)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside the PRC into the Group's presentation currency. The analysis is performed on the same basis for 2010.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011 and 2010.

27 COMMITMENTS

(a) Operating leases

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**2,180**	1,894
After 1 year but within 5 years	**4,306**	4,970
After 5 years	**6,403**	7,677
	12,889	14,541

The Group is the lessee in respect of a number of properties held under operating leases. The lease of a property located in Hong Kong runs for an initial period of 2 years and the leases of land and 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 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Contracted for	**35,372**	201,015
Authorised but not contracted for	**214,586**	483,629
	249,958	684,644

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Non-recurring transactions

	2011	2010
	RMB'000	*RMB'000*
Transactions with the shareholder		
Settlements of rental expenses on the Group's behalf		
— Mr. Wong Fun Chung *(Note (i))*	**440**	872

Notes:

(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.

(b) 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 is as follows:

	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**3,067**	2,935
Share-based payments	**11,131**	—
Contribution to retirement benefit schemes	**24**	23
	14,222	2,958

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

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 24 and 26 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) Provision for warranties

As explained in note 23, the Group makes provision for the warranties it gives on sales of automation instrument and 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 of assets*

The Group reviews the carrying amounts of the assets at the end of each reporting period 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.

Allowance for impairment loss for doubtful debts in respect of trade and other receivables 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 losses would affect the net profit in future years.

(c) *Write-down of inventories*

The Group reviews the carrying amounts of the inventories at the end of each reporting period 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. 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 the assets and their residual values, 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 YEAR ENDED 30 JUNE 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments and interpretations which are not yet effective for the year ended 30 June 2011, and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013

The Group is in the process of making an assessment of what the impact of these new standards, amendments, and interpretations is expected to be in the period of initial application but is not yet in a position to state whether these new standards, amendments, and interpretations would have a significant impact on the Group's results of operations and financial position.

31 EVENTS AFTER THE REPORTING PERIOD

An independent special committee ("Special Committee") was established by the Company to evaluate the impact in relation to the disclaimer of opinion of scope limitation in the auditors' report dated 26 October 2011 issued by KPMG on the Group's consolidated financial statements for the year ended 30 June 2011 and to take appropriate measures to facilitate the public being provided with timely and sufficient information regarding the Audit Issues. Up to the date of issue of these financial statements, the work of the Special Committee is still under progress.

The trading of the Company's shares on The Stock Exchange of Hong Kong Limited has been suspended since 27 October 2011.

All the figures reported in the financial statements audited by Pan-China are the same as those reported in the one disclaimed by KPMG. Therefore, there is no material difference between the results of the Special Audit and the results announced by the Company in its Result Announcement and Annual Report dated 26 September 2011 in regard to The consolidated financial statements of the Group for the year ended 30 June 2011.

LEGAL OPINION REGARDING PRC LAWS

As announced in the Announcement dated 27 October 2011, the Company has sought legal opinion from its legal adviser as to PRC laws.

In addition, the Company has retained a legal adviser as to the laws of the People's Republic of China ("**PRC Legal Adviser**") to give a second opinion in relation to the Secrecy Law. According to opinion of the PRC Legal Adviser:

1. The indirect wholly-owned principal operating subsidiary of the Company, Fujian WP, is a wholly foreign-owned enterprise incorporated and subsisting in accordance with the laws of the PRC. Its operating activities must obey PRC laws and regulations, and shall not harm the social public interest of the PRC. As a legal person and an enterprise in the PRC, Fujian WP shall fulfil their obligations of protecting the state secrets.

2. The Administration for the Protection of State Secrets had confirmed that the business of Fujian WP involves state secrets. In disclosing information in relation to its operation, Fujian WP shall adopt secret-protection measures in order to comply with the relevant laws and regulations. The confirmation issued by the Administration for the Protection of State Secrets is a valid legal document and the Administration for the Protection of State Secrets is a competent governing body to give such confirmation.

3. According to the Secrecy Law and other applicable regulations, information disclosing unit of governmental departments in the PRC must not disclose information which is classified as state secrets and shall follow the legal procedures to declassify or delete information relating to state secrets before disclosure.

4. The measures adopted by Fujian WP and the relevant local administration authorities in relation to data involving state secrets pursuant to the Secrecy Law and other relevant laws are in compliance with the relevant provisions of the PRC laws which are currently in force.

5. In the course of audit or investigation, Fujian WP is obliged to comply with the Secrecy Law and other applicable regulations and must not disclose or supply figures or operating data involves state secrets to KPMG, Pan-China or Zhonglei.

6. Both KPMG, Zhonglei and Pan-China are required to comply with the Secrecy Law and other applicable regulations when they conduct audit or investigation in the PRC.

RECOMMENDATION OF SPECIAL COMMITTEE AND ACTION OF THE BOARD

The Special Committee has reviewed, inter alia, i) the report of Independent Review and Investigation prepared by Zhonglei; ii) PRC legal opinion from the legal advisor of Zhonglei; iii) special audit report on the consolidated financial statements of the Group for the year ended 30 June 2011 prepared by Pan-China; and iv) PRC legal opinion from the legal adviser of the Company dated 30 July 2012, having taken into consideration of the overall information ("**Overall Information**"), therefore satisfied that the consolidated financial statements of the Group for the year ended 30 June 2011 as set out in page 11 to page 63 (a) do give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards; and (b) have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The Special Committee is of the view that (i) the management's representations regarding the Audit Issues are true and correct in all material respects; (ii) all information and figures contained in the Annual Results Announcement are correct in all material respects; and (iii) the annual results of the Group for the year ended 30 June 2011 are accurate and reliable in all respects.

Based on the aforesaid, the Special Committee therefore recommends the Board (including independent non-executive directors ("INEDs")) and Audit Committee to review and accept the Overall Information. In view of the recommendation and the evaluation made by the Board (including INEDs) and Audit Committee on the Overall Information, the Board (including INEDs) and Audit Committee also reached the conclusion that the consolidated financial statements of the Group for year ended 30 June 2011 (a) do give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards; and (b) have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The Board (including INEDs) and Audit committee are also of the view that (i) the management's representations regarding the Audit Issues are true and correct in all material respects; (ii) all information and figures contained in the Annual Results Announcement are correct in all material respects; and (iii) the annual results of the Group for the year ended 30 June 2011 are accurate and reliable in all respects.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company ("**Shares**") on the Stock Exchange has been suspended since 2:17 p.m. on Thursday, 27 October 2011. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 August 2012.

By Order of the Board
China High Precision Automation Group Limited
Wong Fun Chung
Chairman

Hong Kong, 2 August 2012

As at the date of this announcement, the executive Directors are Mr. Wong Fun Chung, Mr. Zou Chong, Mr. Su Fang Zhong and Mr. Cheung Chuen, and the independent non-executive Directors are Ms. Ji Qin Zhi, Dr. Hu Guo Qing, and Mr. Chan Yuk Hiu, Taylor.