



中國高精密自動化集團有限公司

CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 591



2016/2017
Annual Report



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Financial highlights

	2017 RMB'000	2016 RMB'000	Increase/(decrease) %
Turnover	121,211	158,988	(23.8)
Loss from operations	90,777	95,880	(5.3)
Net loss attributable to equity shareholders of the Company	89,686	94,180	(4.8)
Loss per share (RMB cents)			
— basic	RMB8.64 cents	RMB9.08 cents	(4.8)
— diluted	RMB8.64 cents	RMB9.08 cents	(4.8)
Shareholders' equity	2,001,163	2,089,522	(4.2)



Corporate information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Fun Chung (*Chairman and Chief Executive Officer*)
Mr. Zou Chong
Mr. Su Fang Zhong
Mr. Cheung Chuen

Independent Non-executive Directors

Mr. Chan Yuk Hiu, Taylor
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

AUDIT COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

REMUNERATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

NOMINATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

COMPANY SECRETARY

Mr. Cheung Chuen, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Cheung Chuen
Mr. Wong Fun Chung

REGISTERED OFFICE

Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

16 Xing Ye West Road,
Mawei Hi-Tech Development Zone,
Fuzhou 350015,
The PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 703, Jubilee Centre,
18 Fenwick Street,
Wanchai,
Hong Kong

COMPANY'S WEBSITE

www.chpag.net

AUDITOR

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong Laws
Fred Kan & Co.
Loeb & Loeb LLP

As to PRC Laws
Beijing Jinwo Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Co., Ltd.

STOCK CODE

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Chairman's statement

On behalf of the board of directors of China High Precision Automation Group Limited (the "Company"), I am pleased to present to the shareholders the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2017.

For the year ended 30 June 2017, the Group's revenue decreased by approximately 23.8% to approximately RMB121,211,000 as compared to that of last year. Gross loss increased by approximately 32.8% to approximately RMB45,211,000 as compared to that of last year. Net assets decreased by approximately 4.2% to approximately RMB2,001,163,000 as compared to that of last year.

During the reporting period, as the reform on the supply side deepened and China's economy adapted to the "new normal", the major downstream customers of the Company, who primarily operated in the traditional industrial sector, faced severe market conditions and their demand for the Company's products decreased year by year. As seen from the competitive landscape of the automation instrument industry in China, the market is dominated by foreign enterprises with prominent technological and capital advantages. In recent years, overseas manufacturers have been reducing their product prices while lowering their positioning from the high-end market through merging with outstanding enterprises in China. Country-wide sales coverage is gradually realised, squeezing the market of domestic manufacturers.

Amidst keen market competition, the Company will take advantage of its research and development team to continue to develop instrument products and enhance and improve product performance in order to maintain a high price-performance ratio. On this basis, the Company will also endeavour to broaden the applications of its products and develop new product lines to further expand its operation scale. In particular, the Company will focus on the product and market development in fast-growing industries in recent years in relation to environmental protection and people's livelihood such as hydraulic engineering and municipal water supply networks. Meanwhile, the Company will maintain its well-established customer service system to form a virtuous circle where service will bring forth product upgrade, which will in turn lead to service enhancement, with the aim of increasing customer loyalty to the products and services of the Company.

Wong Fun Chung

Chairman

Hong Kong, 29 September 2017

Management discussion and analysis

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2017 (the “Year”).

MARKET AND BUSINESS REVIEW

As at 30 June 2017, the principal activities of the Company were the research and development, manufacture and sales of automation instruments, and downstream customers mainly came from traditional industries. The measures for “cutting capacity and destocking” addressing supply-demand imbalance taken by the traditional industries, such as metallurgy, power generation, petroleum and petrochemicals, caused changes in demand and market pressure in the automation instrument industry. Meanwhile, as the lucrative high-end products and projects with high technological contents in the industrial automation sector were basically monopolised by foreign corporations, their systemic and cost advantages resulted in extremely fierce competition in the automation business. Foreign corporations regarded the China market as the most important growth driver and implemented localisation and full intervention while domestic companies grew steadily and rapidly thanks to their successful strategies and operation models. Competition in the market faced by the Company will become increasingly intensive.

In face of the challenges, the Company will actively capitalise on its overall advantage in the industry, strengthen its marketing efforts, and accelerate the construction of its marketing network. It will also actively explore the external market to reduce the reliance on its own industry, actively develop high value-added products with proprietary intellectual property rights, and deepen its research into the overall solution for the Internet of Things of the industry, in order to support industrial enhancement, improvement in product reliability, and innovation in the traditional manufacturing industry.

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB104,421,000 (2016: approximately RMB109,896,000), representing approximately 86.1% (2016: approximately 69.1%) of the Group’s total turnover. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. This segment recorded reportable segment loss of approximately RMB57,751,000, as compared to a reportable segment loss of approximately RMB45,934,000 in 2016.

Horological instruments

Sales of horological instruments were approximately RMB16,790,000 (2016: approximately RMB49,092,000), which accounts for approximately 13.9% (2016: approximately 30.9%) of the Group’s total turnover during the Year. This segment recorded reportable segment loss of approximately RMB29,886,000, as compared to a reportable segment loss of approximately RMB38,642,000 in 2016.

MANUFACTURING FACILITIES

The Group has large-scale production facilities located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) and Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square meters.

The Group had no material expansion plan during the Year. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

Management discussion and analysis

PROSPECTS

The Company's industrial automation products are widely used in a number of industries and are more prone to fluctuations in economic cycles. Its downstream industries primarily include pillar industries of the national economy such as steel, power, coal, chemicals and petroleum. The situation of downstream industries, especially the newly constructed and technological transformation projects in the industrial sector, would have a larger impact on our industry. Since instrument application takes place at the latter stage of major construction project, there is a time lag between macro-economic changes and the manifestation of its impacts in our industry. In a period of economic downturn, the manufacturing of industrial automation products will face lower market demand and stiffer competition, but the rebound of the macro economy will bode well for the manufacturing of industrial automation products. During economic structure adjustment and industrial transformation and upgrade, different downstream sectors and different corporations in the same sector may present different trends of development. This will usher in opportunities for industrial automation product manufacturing corporations with strong market and technological responsiveness, particularly for enterprises with integrated business.

After years of technological innovation and continuous enhancement of production process and equipment, the Company possesses a number of core technologies of automation instrument products. In 2017, the Company will continue to take hold of technological innovation, boost its technological advancement to ride on the latest trend in the development of Internet of Things, and actively transform itself into a service-oriented manufacturer. In light of the robust demand for intelligent management and automated operation in smart cities and underground corridors reform, the Company will explore for customised overall solutions that integrate products, technologies and services based on "Internet Plus", and start with a breakthrough in "intelligent water supplies".

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB121,211,000 for the Year (2016: approximately RMB158,988,000), representing a decrease of about 23.8% as compared to that of last year. The decrease is mainly due to the adverse effect of the sluggish global economy which causes delay in commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries), persistent decrease in demand of both industrial automation instrument and technology products and horological instruments.

Gross loss and loss from operations

During the Year, the Group's gross loss and loss from operations amounted to approximately RMB45,211,000 (2016: approximately RMB34,040,000) and approximately RMB90,777,000 (2016: approximately RMB95,880,000) respectively. The increase in gross loss is in line with the decrease in turnover. The loss from operations is also attributed to an impairment loss of approximately RMB2,332,000 (2016: approximately RMB4,353,000) in fair value change of investment properties.

The segment of automation instrument and technology products suffered a gross loss for the Year. It is mainly due to the decrease in turnover.

The segment of horological instruments also suffered a gross loss for the Year. It is also mainly due to the decrease in turnover. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

Accordingly, during the Year, the Group suffered a loss from operations.

Net loss

The loss attributable to equity shareholders of the Company for the Year was approximately RMB89,686,000, as compared to that of approximately RMB94,180,000 in 2016. It was mainly attributable to the factors as mentioned above.

Management discussion and analysis

Loss per share

Both the basic and diluted loss per share for the Year were RMB8.64 cents (2016: both RMB9.08 cents).

Capital structure, liquidity and financial resources

During the Year, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2017, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,446,994,000 (30 June 2016: approximately RMB1,472,102,000), approximately RMB1,486,368,000 (30 June 2016: approximately RMB1,524,203,000) and approximately RMB2,020,379,000 (30 June 2016: approximately RMB2,109,891,000) respectively.

Borrowings

As at 30 June 2017, the Group had no bank borrowings (30 June 2016: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2017 decreased by approximately RMB88,359,000 to approximately RMB2,001,163,000 (30 June 2016: approximately RMB2,089,522,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2017 was approximately 0.04 (30 June 2016: approximately 0.04).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK\$1,043,000,000 (the "Net Proceeds") will mainly be utilised as follows:

1. Approximately HK\$711 million will be used for establishment of production facilities for new products of the Group;
2. Approximately HK\$129 million will be used for research and development efforts;
3. Approximately HK\$81 million will be used for network development and sales support services;
4. Approximately HK\$18 million will be used for the Group's information system development; and
5. Approximately HK\$104 million will be used for general working capital.

Up to 30 June 2017, the Group has utilised the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$141 million were used for research and development efforts;

Management discussion and analysis

3. Approximately HK\$42 million were used for network development and sales support services; and
4. Approximately HK\$3 million were used for the Group's information system development.

The remaining balance of the Net Proceeds has been placed in the short-term deposits with financial institutions.

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 22 to the financial statements.

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the Year.

EMPLOYEES AND SHARE OPTION SCHEME

As at 30 June 2017, the Group employed a total of 636 employees (30 June 2016: 734). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB35,049,000 (2016: approximately RMB37,473,000).

In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. During the Year, no option was granted, exercised, cancelled or lapsed under the Scheme. Details of the Scheme are set out in note 21 to the financial statements.

CHARGE ON ASSETS

As at 30 June 2017, the Group did not have any charges on its assets (30 June 2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

The Group had no future plans for material investments or capital assets as at 30 June 2017.

The Group will continue to monitor the industry closely and to formulate and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies primarily in United States dollars and Hong Kong dollars. The Group noted that there was a devaluation of the Renminbi Yuan against foreign currencies during the Year. However, the devaluation does not have material effect on the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Year and will continue to closely monitor such risk exposures from time to time.

Management discussion and analysis

CAPITAL COMMITMENT

As at 30 June 2017, the Group had capital expenditure contracted for but not provided in the financial statements and capital expenditure authorised but not contracted for capital commitments in the consolidated financial statements amounted to approximately RMB1,091,000 (30 June 2016: approximately RMB309,000) and approximately RMB52,634,000 (30 June 2016: approximately RMB57,167,000) respectively.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities (30 June 2016: Nil).

Biographical information of directors and senior management

DIRECTORS

Executive Directors

Mr. Wong Fun Chung (黃訓松), aged 64, is the chairman of the Board, the chief executive officer of the Company and founder of the Group. He is also a director of Wide Plus High Precision Automation Limited ("Wide Plus"), a direct wholly-owned subsidiary of the Company and the President of Fujian Wide Plus Precision Instruments Co., Ltd. ("Fujian Wide Plus"), an indirect wholly-owned subsidiary of the Company. He was appointed as an executive Director of the Company on 29 November 2007 and has served the Group for over 26 years. Mr. Wong graduated from Tianjin University (天津大學) in 1978 specialising in high precision timing instruments (計時儀器專業) and has for over two decades gained experience in the production of horological instruments. During his career in the horological industry, Mr. Wong was recognised as one of the top one hundred youth factory managers in China, which was awarded jointly by China Youth Magazine (中國青年雜誌社), China Enterprise Management Association (中國企業管理協會), Central Propaganda Department of the Chinese Communist Youth League (中國共產主義青年團中央宣傳部) and China Central Television Station (中央電視臺). In 1987, Mr. Wong was the factory manager of the Fuzhou Watch Factory (福州手錶廠), a state-owned enterprise. In 1989, Mr. Wong was approved as an engineer by the Fujian Provincial Bureau of Personnel (福建省人事局). In 1990, one of the quartz clock movement products developed by Mr. Wong was awarded third prize in the technological advancement award by the National Science and Technology Advancement Award Adjudication Committee (國家科學技術進步評審委員會). Mr. Wong is responsible for the formulation of the Group's corporate strategy, overseeing its production operations and the overall steering of the Group's strategic development. Mr. Wong is a shareholder and director of Fortune Plus Holdings Limited which was interested in 39,824,704 shares of the Company as at 30 June 2017.

Mr. Zou Chong (鄒崇), aged 47, was appointed as an executive Director of the Company on 2 July 2008 and is the deputy general manager of the Group. Mr. Zou graduated from the Sichuan University (四川大學) in 1991 specialising in computer application (計算機應用專業). Mr. Zou has served the Group for over 26 years and participated in the development of the "WP-series Multi-channel Embedded-type Colored Paperless Recorder" (WP-系列多通道嵌入式彩色顯示無紙記錄儀), which, together with Mr. Tang Chong Sen, a member of the Company's senior management, was awarded the "Grade Three of Fuzhou Science and Technology Advancement Award (福州市科學技術進步三等獎)" by Fuzhou Municipal Government in 2006. Mr. Zou is responsible for the technical service centre, system integration, purchasing and sales and marketing of the Group.

Mr. Su Fang Zhong (蘇方中), aged 67, was appointed as an executive Director of the Company on 2 July 2008 and is the deputy general manager of the Group. He graduated from Fujian Broadcasting Television University (福建廣播電視大學) in 1990 specializing in financial accounting (財務會計). In 1991, Mr. Su successfully completed quality management (計量管理) training provided by the State Bureau of Technical Supervision (國家技術監督局). Mr. Su has served the Group for 25 years. In 2003, he was appointed as a deputy general manager of Fujian Wide Plus, and was approved as an electrical engineer (intermediate level) (中級電子工程師) by the Intermediate and Primary Level Adjudication Committee of the Fuzhou City Rural Enterprise Engineering Department (福州市鄉鎮企業工程系列中、初級評委會). Mr. Su was recognized by the Fuzhou Bureau of Light Industry (福州市輕工業局) as an outstanding performer in the technological development of light industry system (輕工系統技術開發優秀工作者) in 1989 and also as a pioneer worker in production management (生產管理先進工作者) in 1991. Mr. Su is responsible for the warehouse management, production workshops and quality control of the Group.

Mr. Cheung Chuen (張全), aged 43, was appointed as an executive Director of the Company since 2 April 2008. He is also the company secretary of the Company and Wide Plus. Mr. Cheung graduated from the Hong Kong Shue Yan College (presently Hong Kong Shue Yan University) in 1999 majoring in accounting and obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2004. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has for over a decade gained experience in accounting and auditing. He was an independent non-executive director of Anxin-China Holdings Limited (formerly known as Broad Intelligence International Pharmaceutical Holdings Limited), a company listed on the Main Board of the Stock Exchange, from 14 September 2004 to 24 September 2015. He is currently an independent non-executive director of Kingwell Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Cheung is responsible for the management reporting and planning of the Group, and is in charge of all the Group's financial and statutory reporting.

Biographical information of directors and senior management

Independent Non-executive Directors

Dr. Hu Guo Qing (胡國清博士), aged 53, was appointed as an independent non-executive Director of the Company on 2 April 2008. Dr. Hu graduated from the Department of Aviation Automation Control (航空自動控制系) of the Northwestern Polytechnical University (西北工業大學) in 1987 and acquired his doctorate degree from the Department of Hydraulic Engineering (水利工程系) of the Chengdu University of Science and Technology (成都科技大學) in 1993. Since 1993, Dr. Hu has been involved in scientific research and academic teaching in areas such as MEMS technology, sensor technology, industrial automation, mechanical control engineering and automation control. Dr. Hu is currently a Professor at the College of Industrial Equipment and Control Engineering of the South China University of Technology (華南理工大學).

Ms. Ji Qin Zhi (吉勤之), aged 76, was appointed as an independent non-executive Director of the Company on 2 April 2008. Ms. Ji graduated from the Department of Precision Instruments Engineering (精密儀器工程系) of Tianjin University (天津大學) in 1964 and acquired the qualification of Senior Engineer in 1988. She was appointed as an independent non-executive director of Shenzhen Fiyta Holdings Limited, a company listed on Shenzhen Stock Exchange, in 2006 and 2009. She is currently the vice president of the Horology Association of the People's Republic of China.

Mr. Chan Yuk Hiu, Taylor (陳玉曉), aged 39, was appointed as an independent non-executive Director of the Company on 2 April 2008. Mr. Chan holds an Honours Diploma in Accounting from Hong Kong Shue Yan College (presently Hong Kong Shue Yan University), and a Master Degree in Accounting from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Since graduation he has acquired various accounting, auditing and company secretarial work experience both from certified public accountants firms and listed companies. Mr. Chan is currently the chief financial officer and company secretary of Steed Oriental (Holdings) Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan was the chief financial officer and company secretary of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange, from 1 May 2006 to 28 February 2015. Mr. Chan was the chief financial officer and company secretary of Huaqiang Chemical Engineering Holdings Company Limited, a company incorporated in the Cayman Islands, from 1 March 2015 to 31 July 2016. Mr. Chan has over a decade of experience in professional accounting and auditing practice.

SENIOR MANAGEMENT

Mr. Tang Chong Sen (唐崇森), aged 77, graduated from the Mechanical Engineering Department (電機系) of the Harbin Institute of Technology (哈爾濱工業大學) in 1964 specialising in electrical measurement technology (電氣測量技術專業). In 1992, he was an associate professor of the Electrical Engineering Department of Fuzhou University specializing in industrial electrical automation system (工業電氣自動化). He has served the Group for 21 years. Mr. Tang had been the researcher of various provincial new product development projects. In 2002, the WP-series Intelligent Flow Controller for Natural Gas (WP-系列天然氣智能流量控制儀) co-developed by Mr. Tang also received the "Grade Three of Fujian Science and Technology Advancement Award (福建省科學技術獎三等獎)" by Fujian Provincial Government of the PRC. In 2006, the "WP-series Multi-channel Embedded-type Colored Paperless Recorder" (WP-系列多通道嵌入式彩色顯示無紙記錄儀) which was co-developed by Mr. Tang and Mr. Zou Chong was awarded "Grade Three of Fuzhou Science and Technology Advancement Award (福州市科學技術進步三等獎)" by Fuzhou Municipal Government. Mr. Tang is the chief electrical engineer of the Group and is responsible for overseeing the design and processing of electrical products and electronic software research and development of the Group.

Mr. Gao Wen Jiang (高文江), aged 75, graduated from the Agricultural Machinery Department (農業機械系) of the Fujian Institute of Agriculture (福建農學院) specialising in agricultural mechanisation (農業機械化專業) in 1964. In 1990, Mr. Gao was the deputy technical factory manager of Nanchang Watch Factory (南昌手錶廠). From 1993 to 2004, he was the deputy general manager of Guang Yu Electronic Industrial Co., Ltd. (廣宇電子實業有限公司). Mr. Gao joined Fujian Wide Plus as a chief mechanical engineer in 2004 and has been holding the same position since then. He is responsible for overseeing the crafts processing and high precision mechanical research and development of the Group.

Corporate governance report

The Group is committed to upholding statutory and regulatory corporate governance standards and adhering to the principles of corporate governance emphasising accountability, transparency, independence, fairness and responsibility.

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the Year, except for the deviation from the Code Provision A.2.1 of the Code as described in the section headed “B.7. Chairman and Chief Executive Officer” below.

A. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the required standard for securities transactions by Directors.

Having made specific enquiries of all Directors, all Directors confirmed to the Company that they have complied with the Model Code during the Year.

B. BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 30 June 2017, the Board consisted of four executive Directors, namely Mr. Wong Fun Chung (who is also the chairman of the Board), Mr. Zou Chong, Mr. Su Fang Zhong, and Mr. Cheung Chuen, and three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Each of the Directors’ respective biographical details is set out in the section headed “Biographical Information of Directors and Senior Management” in this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, save as disclosed in the section headed “Biographical Information of Directors and Senior Management” in this annual report, there is no financial, business, family or other material/relevant relationship between members of the Board (including the Chairman and the Chief Executive Officer).

2. Functions of the Board of Directors

The Board is responsible for the oversight of the Company’s business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters, such as, approving the annual results and interim results of the Group, notifiable and connected transactions of the Company, appointment and re-appointment of Directors, dividend and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed “Biographical Information of Directors and Senior Management” in this annual report.

The Board delegates the authority and responsibility for implementing daily operations, business strategies and management of the Group’s businesses to the executive Directors and senior management. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management, in particular, with respect to the circumstances, regular report of progress from the senior management and prior approval will be obtained from the Board before making decisions or entering into any commitments on behalf of the Company.

3. Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; (v) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report; and (vi) reviewing the Company's environmental, social and governance strategy and disclosure in the Environmental, Social and Governance Report. For the year ended 30 June 2017, the Board has reviewed (i) the Company's corporate governance practices; (ii) the training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with applicable legal and regulatory requirements; (iv) the Company's compliance with the Code and the disclosure in this corporate governance report; and (v) the Company's environmental, social and governance strategy and disclosure in the Environmental, Social and Governance Report.

4. Board Meetings and Board Practices

For the year ended 30 June 2017, the Board conducted four meetings and the Board will meet on other occasions when a board-level decision on a particular matter is required. The attendance records of those meetings held are set out below:

Members	No. of attendance
Executive Directors	
Mr. Wong Fun Chung (<i>Chairman and Chief Executive Officer</i>)	4/4
Mr. Zou Chong	4/4
Mr. Su Fang Zhong	4/4
Mr. Cheung Chuen	4/4
Independent non-executive Directors	
Dr. Hu Guo Qing	4/4
Ms. Ji Qin Zhi	4/4
Mr. Chan Yuk Hiu, Taylor	4/4

None of the Board meetings held in the year ended 30 June 2017 were attended by the alternate, if any, of the Directors.

The Directors will receive details of agenda and minutes of relevant committee meetings in advance of each Board meeting. The company secretary will distribute relevant documents to Directors in a timely manner to enable the Directors to make informed decisions on matters discussed in the Board meetings. The company secretary will ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Minutes of the Board meetings are kept by the company secretary.

Pursuant to Code Provision A.6.7, independent non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

Corporate governance report

During the year ended 30 June 2017, the Company held one general meeting, being an annual general meeting, on 25 November 2016. The attendance records of members of the Board of the general meeting held are set out below:

Members	No. of attendance
Executive Directors	
Mr. Wong Fun Chung (<i>Chairman and Chief Executive Officer</i>)	1/1
Mr. Zou Chong	1/1
Mr. Su Fang Zhong	0/1
Mr. Cheung Chuen	1/1
Independent Non-executive Directors	
Dr. Hu Guo Qing	1/1
Ms. Ji Qin Zhi	1/1
Mr. Chan Yuk Hiu, Taylor	1/1

5. Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, there are three independent non-executive Directors representing more than one-third of the Board. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting and relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. Pursuant to Code Provision A4.3, if an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. The Company has received from each of the independent non-executive Directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based on the said confirmations, the Board considers that all the independent non-executive Directors are independent. The nomination committee has also assessed the independence of all the independent non-executive directors who have all served the Board for more than nine years. Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor will be subject to retirement by rotation and each of them offers himself for re-election at the forthcoming annual general meeting. The Board has expressed its view on Dr. Hu's and Mr. Chan's independence in a circular in relation to, among other matters, the re-election of retiring Directors in the forthcoming annual general meeting for shareholders' consideration.

6. Directors' Training

Newly appointed Directors receive comprehensive, formal and tailored induction on their appointments, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

Pursuant to Code Provision A.6.5, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all Directors have participated in appropriate continuous professional development activities by ways of attending training session on regulatory updates, reading materials or conducting academic research relevant to the Company's business or to the Directors' duties and responsibilities.

7. Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code Provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and this provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

8. Appointment, Re-election and Removal of Directors

Mr. Wong Fun Chung has entered into a service contract with the Company for an initial term of 3 years commencing from 29 November 2007 with automatic renewal and subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Cheung Chuen has entered into a service contract with the Company for an initial term of 3 years commencing from 2 April 2008 with automatic renewal and subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Zou Chong and Mr. Su Fang Zhong have entered into a service contract with the Company for an initial term of 3 years both commencing from 2 July 2008 with automatic renewal and subject to termination in accordance with the provisions of the service contracts or by either party giving the other not less than 3 months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year commencing from 2 April 2008 with automatic renewal, subject to termination by either party giving the other not less than 3 months' prior written notice.

In accordance with the articles of association of the Company, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years.

9. Board Diversity Policy

Pursuant to a resolution passed on 30 August 2013 by the Board, a board diversity policy (the "Policy") was adopted for the Company with effect from 1 September 2013. The Policy applies to the Board and aims to set out the approach to achieve diversity for the Board.

The Company aims at promoting and practising equality of opportunity amongst all of its Directors, including both executive and non-executive roles and adopts the Policy with the objective to recognise the benefits and importance of diversity at the Board, the key decision making body in the Company, to enhance the quality of its performance. "Board Diversity" shall be achieved through consideration of a number of factors and measurable objectives, including, but not limited to gender, age, cultural background, educational background, and professional experience, skills and knowledge.

Corporate governance report

The nomination committee of the Company (the "Nomination Committee") reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. In carrying out these responsibilities, the Nomination Committee will give adequate consideration to the Policy. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

Appointments shall be based on merit, and candidates will be measured against objective criteria, with due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

C. BOARD COMMITTEES

1. Remuneration Committee

The Group established its remuneration committee (the "Remuneration Committee") since 2008 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises all three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

For the year ended 30 June 2017, two meetings were held to review the Company's policy and structure for all directors' and senior management's remuneration; to assess the performance of executive Directors; and to review the remuneration package of members of the Board and senior management of the Company. The attendance records of the Remuneration Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	2/2
Ms. Ji Qin Zhi	2/2
Mr. Chan Yuk Hiu, Taylor	2/2

None of the Remuneration Committee meetings held in the year ended 30 June 2017 were attended by the alternate, if any, of the Directors.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

2. Audit Committee

The Group established its audit committee (the "Audit Committee") since 2008 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2017.

The written terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

For the year ended 30 June 2017, the Audit Committee performed the following tasks:

- (i) review of the auditors' report for the audit of final results of the Group for the year ended 30 June 2017;
- (ii) review of the draft consolidated financial statements of the Group for the year ended 30 June 2017 with a recommendation to the Board for approval;
- (iii) review of the draft results announcement and annual report of the Group for the year ended 30 June 2017 with a recommendation to the Board for publication and approval;
- (iv) review of draft unaudited consolidated financial statements, the draft results announcement and the interim report of the Group for the six months ended 31 December 2016 with a recommendation to the Board for publication and approval;
- (v) review of the internal control, financial control and risk management systems and report of the Audit Committee's opinion to the Board;
- (vi) review of the Company's financial reporting functions, the financial and accounting policies and practices adopted by the Group and report of the Audit Committee's opinion to the Board;
- (vii) review of the audit fees payable to the external auditors for the year ended 30 June 2017 with a recommendation to the Board for approval; and
- (viii) review of the external auditors' independence, with a recommendation to the Board for the re-appointment of the current external auditors at the forthcoming annual general meeting and the Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditors.

There were three meetings of the Audit Committee held for the year ended 30 June 2017.

The attendance records of the Audit Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	3/3
Ms. Ji Qin Zhi	3/3
Mr. Chan Yuk Hiu, Taylor	3/3

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None of the Audit Committee meetings held in the year ended 30 June 2017 were attended by the alternate, if any, of the Directors.

3. Nomination Committee

The Group established the Nomination Committee since 2008 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. The Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee (as revised with effect from 1 September 2013) is available on the websites of the Company and the Stock Exchange.

There has been no change in the composition of the Board and of the three committees. For the year ended 30 June 2017, the Nomination Committee has held two meetings to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of independent non-executive Directors; (iii) make recommendations to the Board on the re-appointment of Directors; (iv) review the effectiveness of the board diversity policy of the Company; and (v) review the nomination policy of the Company. The attendance records of the Nomination Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	2/2
Ms. Ji Qin Zhi	2/2
Mr. Chan Yuk Hiu, Taylor	2/2

None of the Nomination Committee meetings held in the year ended 30 June 2017 were attended by the alternate, if any, of the Directors.

D. ACCOUNTABILITY AND AUDIT

1. Directors' Responsibility for the Consolidated Financial Statements

The Board acknowledges that it holds responsibility for:

- (i) overseeing the preparation of the financial statements of the group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group; and
- (ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

2. Risk Management and Internal Control

The Board places great importance on risk management and internal controls and is responsible for establishing and maintaining adequate risk management and internal control system for the Company and assessing the overall effectiveness of those internal control system.

The Board had conducted review of the effectiveness of the system of risk management and internal control of the Group covering all material controls, including financial, operational and compliance control. The Group's risk management and internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations related to the business as well as the handling and dissemination of inside information of the Group. In order to ensure the adequacy and effectiveness of the risk management and internal control systems as well as to resolve material internal control defects once found, our Internal audit department is in place to carry out such internal audit function. Once any material internal control defects are identified during the course of the internal audit, they are reported to the relevant department-in-charge as well as the Board immediately for remedial action. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Audit Committee was satisfied that the internal control system has functioned effectively. During the Year, no irregularity or material weakness was noted within any function or process and the Board considers that the risk management and internal control system is effective and adequate for the Group as a whole.

3. Auditors' Remuneration

During the year ended 30 June 2017, the remuneration paid/payable to the Company's auditors, Pan-China (H.K.) CPA Limited, is set out as follows:

Nature of Services	Fee paid/payable RMB'000
Audit services	1,700
Special audit for 2011 financial statements	600
Non-audit services	—
Total	2,300

E. SHAREHOLDERS' RIGHTS

1. Right to Convene Extraordinary General Meeting ("EGM")

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the extraordinary general meeting varies according to the nature of the proposal as follows:

- at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company; and
- at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

2. Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the headquarters of the Company in Hong Kong or by e-mail to info@chpag.com for the attention of the IR Department or Company Secretary.

3. Right to Put Forward Proposals at General Meetings

There is no provision allowing shareholders to put forward proposals at general meeting under the Memorandum and Articles of Association of the Company or the Companies Law of the Cayman Islands. If shareholders wish to do so, they may request to convene an EGM as stipulated in E.1. above and specify the proposals in such written requisition.

F. INVESTOR AND SHAREHOLDERS RELATIONS

The Company continues to pursue a proactive policy in promoting investor relations and communications with the shareholders of the Company. The Board also recognised that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, press announcements and information on the website of the Stock Exchange and the Company's website at www.chpag.net.

The Company encourages its shareholders to attend the forthcoming annual general meeting as it is an important opportunity for constructive communication with the Board. The Chairman as well as the chairmen of the Audit, Remuneration and Nomination Committees, or in their absence, members of the relevant committees are available to answer any questions raised by the shareholders.

The Group regularly releases corporate information, such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website and the management will give their prompt response thereto.

A copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 30 June 2017.

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The Group is one of the market leaders in the high precision industrial automation instrument and technology products industry in China operating under the Wide Plus brand. Fujian Wide Plus Precision Instruments Co., Ltd., (“Fujian Wide Plus”), an indirect wholly-owned subsidiary of the Company, has been first awarded ISO 9001 — Quality Management, ISO 14001 — Environmental Management and OHSAS 18001 — Occupational Health and Safety Management certifications since 2004, 2010 and 2010 respectively. In January 2016, Fujian Wide Plus was again awarded ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications by the China Quality Certification Centre, which are valid for 3 years until January 2019. Fujian Wide Plus has established a set of Quality, Environmental and Occupational Health and Safety Comprehensive Management Handbook and 20 sets of Quality, Environmental and Occupational Health and Safety Procedural Document, which cover many different aspects including but not limited to workplace practices, environmental protection, operating practices etc., of which, the following are the most relevant and important to our business:

WORKPLACE PRACTICES

Working Conditions

The Group established and implemented “Human Resources Work Handbook”, which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare. Basically, every rule in the handbook is set in accordance with all relevant laws and regulations including but not limited to “The Labour Law” and “The Labour Contract Law” in the PRC. The Group strictly complied with the above said relevant standards, rules and regulations throughout the Year.

Health and Safety

It is the Group’s policy to carry out production in accordance with the principle of “Safety First, Prevention Crucial”, and supervisors at each level in the Group must adhere to the principle of “Production Management Must Encompass Management of Safety”, production must take into account the needs for safety, in order to achieve safe and civilized production. Fujian Wide Plus has established a Procedural Document for Safety Production Responsibility System, which lists out a series of occupational health and safety measures that have to be adopted such as providing a safe working environment and protecting employees from occupational hazards by provision of staff trainings, handling procedures of hazardous and explosive goods, proper operation of equipments etc. The Group implemented the above said relevant procedures, rules and regulations and no incident of work injury occurred throughout the Year. The implementation thereof is monitored by a designated committee by the senior management with both regular inspections and spot checks. In November 2016, we appointed an independent accredited environmental assessment organisation to carry out an annual inspection on workplace air and occupational noise exposure, the result of the inspection indicated that workplace air and occupational noise exposure in our production lines met the required relevant national standard, i.e. “Occupational exposure limits for hazardous agents in the workplace Part 2: Physical agents (工作場所有害因素職業接觸限值第2部分：物理因素)” — GBZ2.1 and GBZ2.2–2007 respectively.

Development and Training

At the beginning of each calendar year, the Group draws up educational training plans in accordance with the Group’s training needs. Each department is responsible for determining its training needs for staff in its department and designing a unique training plan, which shall be submitted to the senior management of the Group for approval. The Group ensures that members of staff who are under the comprehensive management system can fulfill the relevant requirements in terms of education, training, technical and work experience.

Training activities provided to staff include:

- New employees orientation;
- Technical training for existing employees or internally transferred employees;
- Professional skill enhancement training;

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- Enrolment in externally organized classes in relation to legal and other professional knowledge, management knowledge and important position professional training and academic researches;
- Regular voluntary firemen training;
- Invitation of well-known managers, expert scholars and advisory bodies to host training seminars; and
- Expat training.

Labour Standards

Employment of staff by the Group must comply with the rules under the relevant national and local Labour Law. Preventing child or forced labour is one of these rules. The Group strictly complied with the above said principle, relevant rules and regulations throughout the Year. From time to time the Group reviews our overall employment practices to avoid child or forced labour and other potential irregularities. Members of staff is required to fill in a "Staff Record Resume" upon joining the Group. Should the staff provide false identity or false personal particulars, the said staff would be considered to have committed serious breach of the Group's rules and regulations, his/her employment would be terminated immediately.

ENVIRONMENTAL PROTECTION

Emissions

Fujian Wide Plus has established a "Management Policies of Three Kinds of Wastes", which states clearly the handling procedures of emissions of solid, air and water wastes, including both hazardous and non-hazardous, in accordance with the applicable national laws and regulations. We also set an aim to maintain a zero hazardous emission environment and to mitigate all necessary non-hazardous emission in a minimal level. In order to do so, it is our obligation to monitor the waste emissions and to appoint metrological accredited environmental assessment department to provide inspection on a regular basis. In November 2016, we appointed an independent accredited environmental assessment organisation to carry out an annual emissions inspection. All the results of the inspection met the required relevant national standards, i.e. "Integrated Wastewater Discharge Standard" — GB8978-1996, "Integrated Emission Standard of Air Pollutants" GB16297-1996 and "Occupational Exposure Limits for Hazardous Agents in the Workplace Part 1: Chemical hazardous agents (工作場所所有害因素職業接觸限值第1部分：化學有害因素)" — GBZ2.1-2007. There was no production of the following air and greenhouse gas emissions as reflected from the said inspection: NOx, SOx, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. There was also no generation of hazardous waste. The Group strictly complied with the above said relevant standards, rules, regulations and internal policies throughout the Year and our aim was successfully achieved. We will continue to do so in the future.

Type of emissions	Annual emissions	
	2017	2016
Waste water:	4,749.00 tonnes	3,673.60 tonnes
suspension	23.7 kg	176.0 kg
five-day biochemical oxygen demand	31.8 kg	19.10 kg
chemical oxygen demand	121 kg	76.80 kg
animal and vegetable oil	0.47 kg	0.70 kg
ammonia	53.2 kg	31.20 kg
Exhaust gas:	8,508,000	13,200,000
	10,000 normal cubic meters	
particulates	5.28 kg	1.56 kg
non-methane hydrocarbons	1.72 kg	— kg
tin	0.01 kg	— kg

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Use of Resources

"Energy Saving and Consumption Reduction Management System" has been established by the Group to control the use of energy and resources in the production, business operation and management activities, and to improve the energy and resource utilization to achieve economic benefits, and to prevent pollution. This policy is applicable for the Group's management on resources such as water, electricity and energy usage.

"Operating control procedural document", which is established pursuant to the above said "Energy Saving and Consumption Reduction Management System" covers areas of control of energy and resources including:

1) *Water Resources Control*

- A. The Group educates each employee to save water, and to encourage the reuse of water in order to reduce water consumption, so as to reduce sewage from the source.
- B. The Group is committed to the guarantee of water supply installation and maintenance, and to ensuring that water supply is at its optimal working condition. When leakage is discovered, it will be repaired timely.

2) *Electricity Control*

- A. The use of electricity in production must strictly comply with Electricity Law of the PRC to ensure normal production with adherence to the principles of power saving, safety first, high efficiency and low consumption.
- B. Lights and electronic appliances in living area or workplace must be turned off when not in use.
- C. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.
- D. To ensure no unnecessary use of resources at production lines.

3) *Office Consumables Consumption Management*

- A. Other than formal documents materials that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each paper must be printed double-sided. Single-sided printing is strictly prohibited (except for confidential documents).
- B. No printing and photocopying of materials unrelated to work.

Based on those energy use efficiency initiatives, use of resources could be effectively controlled and efficiently reduced.

The Environment and Natural Resources

In order to comprehensively distinguish and evaluate the Group's production and service to control or influence the environmental factors, to identify those important factors, and to update the environment factors on a timely basis in compliance with the relevant laws, regulations and other requirements, so that the Group could effectively and efficiently adopt preventive and control measures, and to continuously improve the environmental performance, the "Environmental Factor Identification and Evaluation Control Procedures" has been established by the Group accordingly. Pursuant to the said procedures, the relevant employees of each department identify environmental factors through methods such as site inspection, site observation and cross reference to

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law and regulations. The scope of identification includes production processing, testing and examination, working, daily living, procurement, transportation, warehousing and other ancillary activities, raw materials (including energy and resources) and repair of equipment, consuming activities. Three states, three tenses and six areas are considered when identifying environmental factors:

Three states:

- a) Normal state — refers to stable, routine, planned activity state, such as the normal production state.
- b) Abnormal state — refers to a predictive state, non-routine activity or incident, such as the equipment failure in the course of production pending repair.
- c) Emergency state — refers to unforeseeable state, sudden accident or emergency failure of environmental protection, for example, fire, earthquake or explosion.

Three tenses:

- a) Past — the environmental problems left over from the past that would affect the current production activities.
- b) Present — the environmental problems that are occurring persistently and will affect the future environment.
- c) Future — the environmental problems that have not yet occurred, but may occur and affect the environment in future, for example, the application of new technology or usage of new materials.

Six areas:

- a) Water pollution, for instance, oily sewage from canteen, sewage emission containing hazardous chemical.
- b) Emission to the atmosphere, for instance, noxious gas emission.
- c) Noise pollution, noise from production processing, life and entertainment polluting the surrounding environment.
- d) Various types of solid waste, including different kind of solid waste and garbage produced from production, daily living and office such as scrap, production garbage, household and office garbage.
- e) Land pollution, for instance the pollution, accumulation and spreading of pollution towards land caused by various type of chemical products (including chemicals contained in raw materials) such as oil, heavy metal.
- f) The use and consumption of raw materials, natural resources and energy.
- g) Others, for instance, light, electromagnetic, color, quantity of heat that may affect the surrounding community.

Based on the above initiatives, the operation's significant impact on the environment and natural resources could be effectively managed.

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Water, electricity and packaging material consumption:

	Water (Ton '000s)	Electricity (kwh '000s)	Packaging material (Ton)
For the year ended 30 June 2017			
Unit consumed	102	5,258	280
For the year ended 30 June 2016			
Unit consumed	96	5,395	—*

* Data not available.

OPERATING PRACTICES

Supply Chain Management

For the year ended 30 June 2017, the Group sourced its raw materials and components from more than 100 suppliers who were independent third parties and located in the PRC.

The Group's relationships with its suppliers are stable and the Group did not experience any major difficulty in obtaining adequate supplies of raw materials and components to meet its production requirements in the past. Since the raw materials and components sourced are common and can be easily purchased from the market, it is believed that even if any of our suppliers fail to meet the Group's demand, there are sufficient alternative suppliers to supply the principal raw materials and components to allow the Group to find suitable substitutes if necessary. The Group does not rely on any particular suppliers for the supply of raw material and components as it is able to purchase these materials and components from many other suppliers.

According to the "Information exchange control procedures" set up by the Group, our purchasing department should deliver the Group's policy, the Group's requirements on environment and occupational health safety, to contracting parties on a timely basis, to ensure their understanding towards the Group's requirements. Suppliers are chosen based on the supplier's continuous ability to guarantee satisfactory product quantity and quality, reasonable price, timely delivery and good services. When selecting suppliers, the Group requires potential suppliers to provide relevant quality certifications, arranges for site visits, requests for samples of materials to be supplied to ensure that the materials meet the required specifications and interviews supplier's customers to evaluate potential supplier's ability to give quality assurance and its reputation. An annual assessment of each of our suppliers would be carried out by the purchasing department in order to ensure the suppliers fulfill all the aforesaid requirements.

Product Responsibility

Maintaining high quality and standards are crucial to the Group's sustainable development. Reliability and quality of our products are crucial to the Group's success. Therefore, maintaining consistency in quality and precision of our products are the Group's major priorities.

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Quality assurance

The Group's products have undergone internal production control and quality assurance examination and rigorous testing, some of which have been affixed with the European Union CE Mark, Russia GOST-R Mark, Kazakhstan GOST-K Mark, and have met the necessary requirements for entering the respective markets of these countries. Such qualifications enhance customer confidence in the quality of the Group's products. The Group has also obtained the "Electromagnetic Compatibility" certificate from the Lloyd's Register. Our Group has obtained Certificate of Conformity from the China National Quality Supervision and Test Centre for Explosion Protected Electrical Products for a number of the Group's electrical products that are exposed to explosion risks.

Details of recall procedures have been contained in our "Unqualified Products Control Procedures". Generally, when goods are delivered and quality abnormality (such as excessive chemicals in the product) is discovered, our quality control department would inform sales department which will report to customers within 24 hours, and discuss with customers the handling methods of those products, including recall arrangements if necessary.

For the year ended 30 June 2017, no product sold or shipped was subject to recalls for safety and health reasons.

After-sales services

On top of the after-sales services provided by our distributors to the end-users, the Group has established a toll-free hotline service within the PRC for its end-users to raise enquiries and lodge complaints. To assist sales by its distributors, the Group will provide explanation and training for its end-users in relation to skills required for, and special features of and the mode of operation for its products.

Intellectual properties

The Group's intellectual property rights are important to our business as all of our products are manufactured with advanced technologies, our experience, expertise and processes designed for professional industrial uses. Due to the increasing recognition of intellectual property rights in the PRC, the Group has actively protected its intellectual property rights by progressively applying for patent registration of all or its existing registrable product technology, which relates to the product design, production processes and techniques. The Group also continuously seeks new patents for products and technologies developed through its research, design and development activities.

Anti-Corruption

In our staff handbook, one of the most important rules that we require all members of our staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties, must not abuse power for own interests, and that all gifts received must be handed to the Company. Our employees could whistle-blow in accordance with our "Staff complaint procedures" stated in staff handbook for the suspected bribery, extortion, fraud and money laundering issues. Once discovered, it will be reported to police for prosecution.

There was no any legal case regarding corrupt practices brought against the Group or its employees during the Year.

Investing in the Community

The Group is committed to identifying the needs of the neighborhoods where our plants are operated. We ensure that community interests are taken into consideration in our operations by participating in at least one local activity that can facilitate exchange and interaction between the Group and the local community each year. In April 2017, we took part in activities hosted by the Party Work Committee of Mawei Hi-tech Industry Park, namely the rule of law promotion and education activity with a slogan of "Join together with law to promote harmonious labour relations" and the low-carbon, environmentally-friendly and healthy initiative to the society with a slogan of "Green travel, being a shared and civilized citizen", in a move to engage in exchange and interaction with various stakeholders of the community. We expect to continue to implement such policy in the future.

Report of the directors

The Directors are pleased to submit their annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 28(a) to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 11 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 9 of this annual report, which form part of this Report of the Directors.

There were no important events affecting the Group that have occurred since the end of the Year.

Discussions on the Group's environmental policies and performance, relationships with its employees, customers and suppliers and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the sections headed "Corporate Governance Report", "Environmental, Social and Governance Report" and this Report of the Directors on pages 12 to 20, pages 21 to 26 and pages 27 to 33 respectively of this annual report, which form part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties facing the Group are set out in notes 23 and 26 to the financial statements, which form part of this Report of the Directors.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at 30 June 2017 are set out in the financial statements on pages 34 to 93.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2016: NIL).

TRANSFER TO RESERVES

Loss for the year attributable to equity shareholders of the Group of approximately RMB89,686,000 (2016: approximately RMB94,180,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on pages 42 to 43.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to the equity shareholders of the Company as at 30 June 2017 are set out in note 22(c)(vii) to the financial statements.

Report of the directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements.

COMMITMENTS

Particulars of the commitments of the Group as at 30 June 2017 are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MANAGEMENT CONTRACT

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

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Mr. Wong Fun Chung (*Chairman and Chief Executive Officer*)

Mr. Zou Chong

Mr. Su Fang Zhong

Mr. Cheung Chuen

Independent Non-executive Directors

Dr. Hu Guo Qing

Ms. Ji Qin Zhi

Mr. Chan Yuk Hiu, Taylor

Brief biographical information of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" section on pages 10 to 11 of this annual report.

In accordance with article 84 of the Company's articles of association, Mr. Zou Chong, Mr. Su Fang Zhong, Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor shall retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors listed below has entered into a service agreement with the Company for a term of three years, with automatic renewal subject to termination in accordance with the provisions thereof or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year with automatic renewal, subject to termination by either party giving the other not less than three months' notice. The appointment dates of each of the Directors are as follows:

Executive Directors

Mr. Wong Fun Chung	29 November 2007
Mr. Zou Chong	2 July 2008
Mr. Su Fang Zhong	2 July 2008
Mr. Cheung Chuen	2 April 2008

Independent Non-executive Directors

Dr. Hu Guo Qing	2 April 2008
Ms. Ji Qin Zhi	2 April 2008
Mr. Chan Yuk Hiu, Taylor	2 April 2008

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company had any material interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the ordinary shares of the Company:

Directors	Number of ordinary shares held, capacity and nature of interest			Approximate percentage of the issued share capital of the Company
	Directly held interest	Through controlled corporation	Total	
Mr. Wong Fun Chung ("Mr. Wong")	342,942,082	39,824,704 (Note 1)	382,766,786	36.89% (Note 2)

Notes:

- 39,824,704 shares were held by Fortune Plus Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 66.6% by Mr. Wong. Therefore Mr. Wong is deemed to be interested in these shares under the SFO.
- As at 30 June 2017, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2017, none of the Directors or the chief executive of the Company or their respective associates had registered any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

Shareholders	Number of Shares	Approximate percentage of the issued share capital of the Company
Capital Research and Management Company	83,390,000	8.04% (Note 1)

Note:

- As at 30 June 2017, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2017, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE CAPITAL

Details of share capital of the Company during the Year are set out in note 22 to the financial statements.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Scheme") on 28 October 2009, the principal terms of which are set out in note 21 to the financial statements. No share option has been granted, exercised, cancelled or lapsed during the Year. Particulars of share options granted by the Company are set out in note 21 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures of the Company or any associated corporations" and "Share option scheme" above, at no time during the Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 7 and 25 to the financial statements, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any of the Directors or an entity connected with a Director had, whether directly or indirectly, a material interest, subsisted at the end of the Year or at any time during the Year.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the Year, save for those disclosed in note 25 to the financial statements, the Group had no transactions with related or connected parties. The transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.

BANKING FACILITIES

During the Year, no banking facilities were obtained by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	13.4%	
Five largest customers in aggregate	45.8%	
The largest supplier		16.3%
Five largest suppliers in aggregate		72.2%

During the Year, none of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers or suppliers.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes for the Year are set out in note 5(a) to the financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices (revised and renamed as 'Corporate Governance Code' with effect from 1 April 2012). The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process, to review the Company's financial information and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor (Chairman). The Company's annual report for the Year has been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of the Company's shares under the Listing Rules.

PERMITTED INDEMNITY PROVISION

As at the date of this annual report, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

AUDITORS

The consolidated financial statements of the Group for the year ended 30 June 2016 and the year ended 30 June 2017 have been audited by Pan-China who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:00 a.m. on 22 August 2012, and will remain suspended until further notice.

By Order of the Board

Wong Fun Chung

Chairman

Hong Kong, 29 September 2017

Independent auditor's report



PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants

天健(香港)會計師事務所有限公司

**TO THE SHAREHOLDERS OF
CHINA HIGH PRECISION AUTOMATION GROUP LIMITED**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China High Precision Automation Group Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 38 to 93, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Independent auditor's report

The key audit matters and how our audit addressed the key audit matter of the Group for the year ended 30 June 2017 are identified as follows:

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment on inventories

As at 30 June 2017, the Group's inventories balance is approximately RMB40,052,000.

The Group is engaged in manufacture and sale of precision instrument and horological movements. Management judgement is required for assessing the appropriate level of inventory provision.

Related disclosures are included in note 15 and 26(c) to the consolidated financial statements.

We obtained and reviewed management's assessment of inventories' net realisable value. This included making enquiries with the management to understand their assessment over identifying and valuing obsolete, damaged, slow-moving, excess and other inventory items whose costs may not be fully recoverable.

We compared the carrying amount of the inventories, on a sample basis, to their net realisable value through review of sales of the inventories subsequent to the year end to validate the management's assessment.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we conclude that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Independent auditor's report

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

The engagement director on the audit resulting in this independent auditor's report is Chan Kin Wai.

PAN-CHINA (H.K.) CPA LIMITED

Certified Public Accountants

Chan Kin Wai

Practising Certificate Number: P05342

11/F, Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong, 29 September 2017

Consolidated statement of profit or loss

For the year ended 30 June 2017
(Expressed in Renminbi Yuan)

	Notes	2017 RMB'000	2016 RMB'000
Turnover	3	121,211	158,988
Cost of sales		(166,422)	(193,028)
Gross loss		(45,211)	(34,040)
Other income	4	10,521	9,548
Other loss	4	(1,876)	(6,855)
Distribution costs		(2,670)	(4,042)
Administrative expenses		(49,414)	(50,977)
Fair value change in investment properties	13	(2,332)	(4,353)
Reversal of impairment/(impairment) for trade receivables	16(b)	205	(5)
Impairment of inventories		—	(5,156)
Loss from operations		(90,777)	(95,880)
Finance costs		—	—
Loss before taxation	5	(90,777)	(95,880)
Income tax credit	6(a)	1,091	1,700
Loss for the year attributable to equity shareholders of the Company		(89,686)	(94,180)
Loss per share (RMB cents)	10		
— basic		(8.64)	(9.08)
— diluted		(8.64)	(9.08)

The notes on pages 45 to 93 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the loss for the year are set out in note 22(a).

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017
(Expressed in Renminbi Yuan)

Notes	2017 RMB'000	2016 RMB'000
Loss for the year attributable to equity shareholders of the Company	(89,686)	(94,180)
Other comprehensive income for the year		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (excluding Hong Kong)	1,327	6,971
Total comprehensive expenses for the year attributable to equity shareholders of the Company	(88,359)	(87,209)

The notes on pages 45 to 93 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2017
(Expressed in Renminbi Yuan)

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	474,299	521,406
Investment properties	13	47,393	51,801
Interests in leasehold land held for own use under operating leases	14	8,730	8,957
Deposits for the purchase of property, plant and equipment		311	184
Deferred tax assets	19(a)	3,278	3,340
		534,011	585,688
Current assets			
Inventories	15	40,052	41,496
Trade and other receivables	16	63,233	78,333
Cash and cash equivalents	17	1,446,994	1,472,102
		1,550,279	1,591,931
Current liabilities			
Trade and other payables	18	63,339	66,916
Provision for warranties	20	572	812
		63,911	67,728
Net current assets		1,486,368	1,524,203
Total assets less current liabilities		2,020,379	2,109,891

The notes on pages 45 to 93 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2017
(Expressed in Renminbi Yuan)

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities	19(a)	19,216	20,369
		19,216	20,369
NET ASSETS			
		2,001,163	2,089,522
CAPITAL AND RESERVES			
Share capital	22	91,360	91,360
Reserves		1,909,803	1,998,162
TOTAL EQUITY			
		2,001,163	2,089,522

Approved and authorised for issue by the board of directors on 29 September 2017.

Wong Fun Chung
Director

Cheung Chuen
Director

The notes on pages 45 to 93 form part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2017
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Surplus reserve	Share-based payment reserve	Other reserve	Revaluation reserve	Exchange reserve	Retained profits	Total
	(note 22(c)(i))	(note 22(c)(ii))	(note 22(c)(iii))	(note 22(c)(iv))	(note (c)(v))	(note 22(c)(vi))			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2015	91,360	941,077	181,790	88,260	2,982	2,986	(28,029)	896,305	2,176,731
Changes in equity for the year ended 30 June 2016:									
Loss for the year	—	—	—	—	—	—	—	(94,180)	(94,180)
Other comprehensive income	—	—	—	—	—	—	6,971	—	6,971
Transfer of reserves upon lapse of share option	—	—	—	(88,260)	—	—	—	88,260	—
Total comprehensive income/ (expenses)	—	—	—	(88,260)	—	—	6,971	(5,920)	(87,209)
Balance at 30 June 2016	91,360	941,077	181,790	—	2,982	2,986	(21,058)	890,385	2,089,522

The notes on pages 45 to 93 form part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2017
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								Total RMB'000
	Share capital RMB'000	Share premium (note 22(c)(i)) RMB'000	Surplus reserve (note 22(c)(ii)) RMB'000	Share- based payment reserve (note 22(c)(iii)) RMB'000	Other reserve (note 22(c)(iv)) RMB'000	Revaluation reserve (note 22(c)(v)) RMB'000	Exchange reserve (note 22(c)(vi)) RMB'000	Retained profits RMB'000	
Balance at 1 July 2016	91,360	941,077	181,790	—	2,982	2,986	(21,058)	890,385	2,089,522
Changes in equity for the year ended 30 June 2017:									
Loss for the year	—	—	—	—	—	—	—	(89,686)	(89,686)
Other comprehensive income	—	—	—	—	—	—	1,327	—	1,327
Total comprehensive income/ (expenses)	—	—	—	—	—	—	1,327	(89,686)	(88,359)
Balance at 30 June 2017	91,360	941,077	181,790	—	2,982	2,986	(19,731)	800,699	2,001,163

The notes on pages 45 to 93 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2017
(Expressed in Renminbi Yuan)

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Cash (used in)/generated from operations	17(b)	(28,954)	18,320
Net cash (used in)/generated from operating activities		(28,954)	18,320
Investing activities			
Payment for the purchase of property, plant and equipment		(702)	(334)
Receipt of disposal of property, plant and equipment		128	61
Interest received		4,420	4,709
Net cash generated from investing activities		3,846	4,436
Net (decrease)/increase in cash and cash equivalents		(25,108)	22,756
Cash and cash equivalents at beginning of the year		1,472,102	1,449,346
Cash and cash equivalents at end of the year	17(a)	1,446,994	1,472,102

The notes on pages 45 to 93 form part of these consolidated financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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 HKFRSs, 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 (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Company and its subsidiaries (the “Group”) is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2017 comprise the Company and its subsidiaries.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 People’s Republic of China (the “PRC”) is Renminbi Yuan (“RMB”). However, the consolidated financial statements are presented in RMB, rounded to the nearest thousand as the major subsidiary of the Group is operating in the PRC and the management of the Company control and monitor the performance and financial position of the Group by using RMB.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

An interest 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, interests in subsidiaries are stated at cost less impairment losses (see note 1(h)).

(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)). 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)). Historical cost includes expenditure that is directly attributable to the acquisition of items.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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

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) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and that is not occupied by the Group.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably measurable but the fair value of the property is expected to be reliably measurable when construction is completed, such investment properties under development are measured at cost less impairment, if any, until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier. Once the fair value of an investment property under development that has previously been measured at cost is able to measure reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as a property held for own used and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting in accordance with note 1(e).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated statement of profit or loss. Transfers to investment properties shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

(g) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

(h) Impairment of 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;
- interests in leasehold land held for own use under operating leases;

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets *(continued)*

- deposits for the purchase of property, plant and equipment; and
- interests 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories *(continued)*

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) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are all classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each of the reporting periods subsequent to initial recognition, loans and receivables (including trade and other receivables and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below), 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 any identified impairment losses.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Financial assets (continued)

Impairment loss on financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of each of the reporting periods. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all of the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

Financial liabilities and equity (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(k) 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.

(l) 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Employee benefits *(continued)*

- (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.

(m) 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

- (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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

(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.

(n) 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.

(o) 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

(iii) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(p) 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 average exchange rate for the year, unless exchange rates fluctuate significantly during the year in which case the exchange rates prevailing at the date of the transactions are used. 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.

(q) 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.

(r) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Government grants *(continued)*

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing its consolidated financial statements.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to a Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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. APPLICATION OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRSs	Annual Improvements 2012–2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated 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:

	2017 RMB'000	2016 RMB'000
Sales of automation instrument and technology products	104,421	109,896
Sales of horological instruments	16,790	49,092
	121,211	158,988

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

4. OTHER INCOME AND OTHER LOSS

	2017 RMB'000	2016 RMB'000
Other income		
Bank interest income	4,420	4,709
Government grants (Note)	—	864
Rental income	2,893	2,609
Reversal of provision for warranties	240	588
Sundry income	2,968	778
	10,521	9,548
Other loss		
Loss on disposal of property, plant and equipment	(47)	(23)
Net foreign exchange losses	(1,829)	(6,832)
	(1,876)	(6,855)

Note:

Government grants represent incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

5. LOSS BEFORE TAXATION

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

	2017 RMB'000	2016 RMB'000
(a) Staff costs		
Contributions to defined contribution retirement plans	1,860	2,003
Salaries, wages and other benefits	33,189	35,470
	35,049	37,473

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the "Defined Contribution 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 Defined Contribution 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 Defined Contribution 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\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5. LOSS BEFORE TAXATION (continued)

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

	2017 RMB'000	2016 RMB'000
(b) Other items		
Depreciation	49,711	51,484
Amortisation	227	226
Research and development costs	10,889	12,242
Reversal of provision for warranties (note 20)	(240)	(588)
Auditor's remuneration		
— Audit services	1,700	1,700
— Special audit for 2011 financial statements	600	600
(Reversal of impairment)/impairment for trade receivables (note 16(b))	(205)	5
Operating lease charges in respect of properties	2,270	2,241
Loss on disposal of property, plant and equipment	47	23
Cost of inventories sold*	166,422	193,028

* Cost of inventories sold includes approximately RMB63,491,000 (2016: approximately RMB67,625,000) 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(a) for each of these types of expenses.

6. INCOME TAX CREDIT

(a) Income tax credit in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax		
Current year	—	—
Deferred tax credit		
Current year (note 19(a))	(1,091)	(1,700)
	(1,091)	(1,700)

- (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) No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current year.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6. INCOME TAX CREDIT (continued)

(a) (continued)

- (iv) 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%. An indirect wholly-owned subsidiary of the Company, 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 till 30 June 2009 to the extent that the profits are likely to be distributed in the foreseeable future.

(b) Reconciliation between income tax credit and loss before taxation at applicable tax rate:

	2017 RMB'000	2016 RMB'000
Loss before taxation	(90,777)	(95,880)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(21,791)	(22,660)
Tax effect of non-taxable revenue	(1,068)	(1,691)
Tax effect of non-deductible expenses	2,735	4,919
Tax effect of temporary differences	(1,091)	(1,700)
Tax effect of estimated tax losses not recognised	20,124	19,432
Actual income tax credit	(1,091)	(1,700)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the Company's directors is as follows:

2017

	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	—	1,067	16	—	—	1,083
Mr. Zou Chong	—	486	12	—	—	498
Mr. Su Fang Zhong	—	486	—	—	—	486
Mr. Cheung Chuen	—	784	16	—	—	800
Independent non-executive directors						
Dr. Hu Guo Qing	103	—	—	—	—	103
Ms. Ji Qin Zhi	103	—	—	—	—	103
Mr. Chan Yuk Hiu, Taylor	103	—	—	—	—	103
Total	309	2,823	44	—	—	3,176

2016

	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	—	1,026	14	—	—	1,040
Mr. Zou Chong	—	470	13	—	—	483
Mr. Su Fang Zhong	—	470	—	—	—	470
Mr. Cheung Chuen	—	748	14	—	—	762
Independent non-executive directors						
Dr. Hu Guo Qing	99	—	—	—	—	99
Ms. Ji Qin Zhi	99	—	—	—	—	99
Mr. Chan Yuk Hiu, Taylor	99	—	—	—	—	99
Total	297	2,714	41	—	—	3,052

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four individuals were also directors of the Company (2016: four) whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the other one individual (2016: one) are as follows:

	2017 RMB'000	2016 RMB'000
Contributions to retirement benefit scheme	16	15
Salaries and other emoluments	413	394
Discretionary bonus	34	33
	463	442

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

	2017 Number of individuals	2016 Number of individuals
Less than RMB1,000,000	1	1

For the years ended 30 June 2017 and 2016, no emoluments were paid by the Group to these five highest paid individuals (including the directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no director waived any emoluments.

9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately RMB5,603,000 (2016: approximately loss of RMB6,892,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB89,686,000 (2016: approximately RMB94,180,000) and the number of 1,037,500,000 ordinary shares (2016: 1,037,500,000 ordinary shares) in issue during the year.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

10. LOSS PER SHARE (continued)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB89,686,000 (2016: approximately RMB94,180,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options assuming they were exercised during the year. For the year ended 30 June 2016, as disclosed in note 21, the Company did not have any exercisable share option outstanding as at 30 June 2016. There were no dilutive potential ordinary shares after all outstanding share options lapsed on 31 March 2016, therefore diluted loss per share are equal to basic loss per share. For the year ended 30 June 2017, diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary shares.

	2017 '000	2016 '000
Weighted average number of ordinary shares (basic)	1,037,500	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	—	—
Weighted average number of ordinary shares (diluted)	1,037,500	1,037,500

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, being the chief operating decision maker, 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

11. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

The measure used for reporting segment loss is “adjusted loss from operations”. To arrive at reportable segment loss, the Group’s loss 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 loss from operations, management is provided with segment information concerning revenue, additions to non-current segment assets, depreciation and amortisation and allowance for doubtful debt.

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 2017 and 2016 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Reportable segment revenue	104,421	109,896	16,790	49,092	121,211	158,988
Reportable segment loss (adjusted loss from operations)	(57,751)	(45,934)	(29,886)	(38,642)	(87,637)	(84,576)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2017 RMB'000	At 30 June 2016 RMB'000	At 30 June 2017 RMB'000	At 30 June 2016 RMB'000	At 30 June 2017 RMB'000	At 30 June 2016 RMB'000
Reportable segment assets	436,246	472,929	144,362	172,271	580,608	645,200
Reportable segment liabilities	14,242	10,631	5,722	9,137	19,964	19,768

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

	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	121,211	158,988
Turnover	121,211	158,988

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

11. SEGMENT REPORTING (continued)

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

	2017 RMB'000	2016 RMB'000
Profit or loss		
Reportable segment loss	(87,637)	(84,576)
Bank interest income	4,420	4,709
Unallocated head office and corporate income	5,861	4,251
Unallocated head office and corporate expenses	(13,421)	(20,264)
Loss before taxation	(90,777)	(95,880)
Income tax credit	1,091	1,700
Loss for the year	89,686	94,180

	2017 RMB'000	2016 RMB'000
Assets		
Reportable segment assets	580,608	645,200
Unallocated head office and corporate assets	1,503,682	1,532,419
Total assets	2,084,290	2,177,619

	2017 RMB'000	2016 RMB'000
Liabilities		
Reportable segment liabilities	19,964	19,768
Unallocated head office and corporate liabilities	63,163	68,329
Total liabilities	83,127	88,097

(c) Other segment information

	Automation instrument and technology products		Horological instruments	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Depreciation and amortisation	41,988	34,694	6,673	15,587
Addition to non-current segment assets during the year	108	140	576	—
(Reversal of impairment)/impairment for trade receivables	—	5	(205)	—

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

11. SEGMENT REPORTING (continued)

(d) 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, investment properties, interests in leasehold land held for own use under operating leases 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	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Hong Kong and others	698	6,181	42	65
PRC (excluding Hong Kong)	120,513	152,807	530,691	582,283
	121,211	158,988	530,733	582,348

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

Reportable segments		2017 RMB'000	2016 RMB'000
Customer A	Horological instruments	16,233	42,168

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

12. PROPERTY PLANT AND EQUIPMENT

	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 2015	343,638	416,367	23,472	2,789	10,978	797,244
Additions	140	—	—	—	194	334
Disposal	—	—	—	(493)	—	(493)
Exchange adjustment	—	—	18	—	113	131
At 30 June 2016	343,778	416,367	23,490	2,296	11,285	797,216
At 1 July 2016	343,778	416,367	23,490	2,296	11,285	797,216
Additions	684	—	—	—	18	702
Disposal	(376)	—	—	—	—	(376)
Transfer from investment properties (note 13)	—	2,076	—	—	—	2,076
Exchange adjustment	—	—	4	—	23	27
At 30 June 2017	344,086	418,443	23,494	2,296	11,326	799,645
Accumulated depreciation:						
At 1 July 2015	145,287	55,449	14,347	1,581	7,954	224,618
Charge for the year	27,251	18,737	4,066	228	1,202	51,484
Disposal	—	—	—	(409)	—	(409)
Exchange adjustment	—	—	18	—	99	117
At 30 June 2016	172,538	74,186	18,431	1,400	9,255	275,810
At 1 July 2016	172,538	74,186	18,431	1,400	9,255	275,810
Charge for the year	26,904	18,848	3,073	201	685	49,711
Disposal	(201)	—	—	—	—	(201)
Exchange adjustment	—	—	4	—	22	26
At 30 June 2017	199,241	93,034	21,508	1,601	9,962	325,346
Net book value:						
At 30 June 2017	144,845	325,409	1,986	695	1,364	474,299
At 30 June 2016	171,240	342,181	5,059	896	2,030	521,406

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

13. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At 1 July 2016/2015	51,801	56,154
Fair value change in investment properties	(2,332)	(4,353)
Transfer to property, plant and equipment (note 12)	(2,076)	—
At 30 June 2017/2016	47,393	51,801

Investment properties represent office premises, an apartment and car-parking spaces located in Fuzhou, the PRC, under medium-term lease and are held for rental purpose. During the year ended 30 June 2017, an apartment which was held for rental purpose, was transferred to property, plant and equipment pursuant to the change of use.

Amounts recognised in profit or loss for investment properties

	2017 RMB'000	2016 RMB'000
Rental income	2,717	2,609
Direct operating expenses from properties that generated rental income	(341)	(363)
	2,376	2,246

The fair values of the Group's investment properties at 30 June 2017 and 2016 have been arrived at on the basis of a valuation carried out by an independent firm of professional valuers not connected with the Group, and were determined based on market comparison approach assuming sales of the property interest in its existing state and making references to comparable market observable transactions of similar properties with adjustments made for size, location, time, amenities and other relevant factors when comparing such sales against the investment properties.

All of the Group's investment properties measured at fair value are categorised as Level 3 valuation. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that cause the transfer. During the years ended 30 June 2017 and 2016, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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(Expressed in Renminbi Yuan unless otherwise indicated)

13. INVESTMENT PROPERTIES (continued)

Amounts recognised in profit or loss for investment properties (continued)

The following table shows the valuation techniques used in the determination of fair values of the investment properties and unobservable inputs used in the valuation models as at 30 June 2017 and 2016.

Date	Fair value	Fair value hierarchy	Valuation techniques	Unobservable input	Range of significant input	Relationship of inputs to fair value
As at 30 June 2017	RMB47,393,000	Level 3	Market comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office and carpark	Office: RMB22,500 to RMB23,637 per square meter Carpark: RMB354,200 to RMB366,400 per unit	The higher the adjusted transaction price the higher the fair value
As at 30 June 2016	RMB51,801,000	Level 3	Market comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office, apartment and carpark	Office and apartment: RMB22,962 to RMB25,030 per square meter Carpark: RMB347,330 to RMB350,000 per unit	The higher the adjusted transaction price the higher the fair value

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

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	10,656	10,656
Accumulated amortisation:		
At 1 July 2016/2015	1,473	1,247
Charge for the year	227	226
At 30 June 2017/2016	1,700	1,473
Net book value:		
At 30 June 2017/2016	8,956	9,183
Representing:		
Non-current portion	8,730	8,957
Current portion included in "Other prepayments, deposits and receivables" (note 16)	226	226
	8,956	9,183

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.

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15. INVENTORIES

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

	2017 RMB'000	2016 RMB'000
Raw materials and consumables	24,095	23,402
Work in progress	9,150	6,429
Finished goods	6,807	11,665
	40,052	41,496

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

	2017 RMB'000	2016 RMB'000
Cost of inventories sold	166,422	193,028
Impairment of inventories	—	5,156
	166,422	198,184

16. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	62,059	77,372
Less: Allowance for doubtful debts (note 16(b))	(179)	(368)
	61,880	77,004
Other prepayments, deposits and receivables	1,353	1,329
	63,233	78,333

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(Expressed in Renminbi Yuan unless otherwise indicated)

16. TRADE AND OTHER RECEIVABLES (continued)

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	2017 RMB'000	2016 RMB'000
0–60 days	25,851	30,249
61–120 days	18,650	27,682
121–180 days	17,379	19,073
	61,880	77,004

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 23(a). The Group generally grants credit periods of 120 days to 180 days from the date of billing to its customers.

(a) Ageing analysis

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired (current)	61,880	77,004
Less than 1 month past due	—	—
1 to 3 months past due	—	—
Amount past due	—	—
	61,880	77,004

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 receivables directly (see note 1(j)).

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

	2017 RMB'000	2016 RMB'000
At 1 July 2016/2015	368	342
Impairment loss recognised	—	5
Reversal of impairment previously recognised	(205)	—
Exchange difference	16	21
At 30 June 2017/2016	179	368

The reversal of impairment previously recognised amounted to approximately RMB205,000 represented the amount recovered during the year. 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 approximately RMB179,000 (2016: approximately RMB368,000) were recognised. The Group does not hold any collateral over these balances.

	2017 RMB'000	2016 RMB'000
Age of impaired trade receivables overdue by		
0–60 days	—	—
61–120 days	—	—
Over 120 days	179	368
Total	179	368

17. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	1,446,994	1,472,102

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(Expressed in Renminbi Yuan unless otherwise indicated)

17. CASH AND CASH EQUIVALENTS *(continued)*

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

	2017 RMB'000	2016 RMB'000
Loss before taxation	(90,777)	(95,880)
Adjustments for:		
— Depreciation	49,711	51,484
— Amortisation	227	226
— Interest income	(4,420)	(4,709)
— Fair value loss of investment properties	2,332	4,353
— Unrealised exchange differences	1,340	6,970
— Loss on disposal of property, plant and equipment	47	23
— Impairment of inventories	—	5,156
— (Reversal of impairment)/impairment for trade receivables	(205)	5
— Reversal of provision for warranties	(240)	(588)
Operating loss before changes in working capital	(41,985)	(32,960)
Decrease in inventories	1,444	3,937
Decrease in trade and other receivables	15,292	50,462
(Increase)/decrease in deposits for the purchase of property, plant and equipment	(127)	94
Decrease in trade and other payables	(3,578)	(3,213)
Cash (used in)/generated from operations	(28,954)	18,320

(c) As at 30 June 2017, the balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB1,444,923,000 (2016: RMB1,471,460,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

18. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	19,614	19,388
Other payables and accruals	43,725	47,528
	63,339	66,916

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(Expressed in Renminbi Yuan unless otherwise indicated)

18. TRADE AND OTHER PAYABLES (continued)

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

	2017 RMB'000	2016 RMB'000
Due within 1 month or on demand	11,532	16,056
Due after 1 month but within 3 months	7,411	2,795
Due after 3 months but within 6 months	111	83
Over 6 months	560	454
	19,614	19,388

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

19. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Impairment of assets and provisions RMB'000	Accelerated tax depreciation RMB'000	Undistributed profits of the PRC subsidiary RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 July 2015	2,649	(3,753)	(17,625)	(18,729)
Credited to consolidated statement of profit or loss (note 6(a))	691	1,009	—	1,700
At 30 June 2016	3,340	(2,744)	(17,625)	(17,029)
At 1 July 2016	3,340	(2,744)	(17,625)	(17,029)
Credited/(charged) to consolidated statement of profit or loss (note 6(a))	(62)	1,153	—	1,091
At 30 June 2017	3,278	(1,591)	(17,625)	(15,938)

	2017 RMB'000	2016 RMB'000
Deferred tax asset recognised in the consolidated statement of financial position	3,278	3,340
Deferred tax liabilities recognised in the consolidated statement of financial position	(19,216)	(20,369)
	(15,938)	(17,029)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

19. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

(b) Deferred tax not recognised:

At 30 June 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to RMB1,315,873,000 (2016: RMB1,315,873,000). Deferred tax liabilities of RMB48,167,000 (2016: RMB48,167,000) which was earned after 1 June 2009 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.

The Group had unused tax losses of approximately RMB205,981,000 (2016: RMB125,483,000) that can be carried forward against future taxable income. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. Losses amount to RMB15,796,000 (2016: RMB15,796,000), RMB63,670,000 (2016: RMB63,670,000), RMB77,773,000 (2016: RMB46,017,000) and RMB48,742,000 (2016: Nil) expire in 2019, 2020, 2021 and 2022, respectively.

20. PROVISION FOR WARRANTIES

	RMB'000
At 1 July 2015	1,400
Reversal of provision made in prior year	(588)
At 30 June 2016	812
At 1 July 2016	812
Reversal of provision made in prior year	(240)
At 30 June 2017	572

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.

21. 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

21. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

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.

As at 30 June 2017, the number of shares available for issue under the Scheme was 103,750,000 (2016: 103,750,000), representing 10% of the issued shares of the Company.

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 options.

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. No share options were granted to the Company's directors and employees during the years ended 30 June 2017 and 30 June 2016.

(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) All outstanding share options were lapsed in accordance with the terms of the Scheme on 31 March 2016. No share options were outstanding at 30 June 2017 and 2016.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

21. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

(c) 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 2015	HK\$5.6	39,000
Less: Lapsed during the year ended 30 June 2016	HK\$5.6	(39,000)
Outstanding at 30 June 2016, 1 July 2016 and 30 June 2017		—

(d) 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

	Lot 1	Lot 2	Lot 3
Fair value at measurement date (HK\$)	1.73789	1.88545	2.01633
Share price (HK\$)	5.5	5.5	5.6
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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

22. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2017 RMB'000	2016 RMB'000
No dividend proposed after the end of the reporting period (2016: Nil)	—	—

(b) Authorised and issued share capital

There was no movements of the authorised and issued share capital of the Company during the years ended 30 June 2016 and 2017:

	Par value HK\$	Number of shares '000	Nominal value of ordinary shares	
			HK\$'000	RMB'000
Authorised:				
At 1 July 2015, 30 June 2016 and 30 June 2017	0.1	10,000,000	1,000,000	880,500
Issued and fully paid:				
At 1 July 2015, 30 June 2016 and 30 June 2017	0.1	1,037,500	103,750	91,360

Note:

As at 30 June 2017 and 30 June 2016, 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.

(c) 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) 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

22. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserve *(continued)*

(iii) *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(l)(iii).

(iv) *Other reserve*

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

(v) *Revaluation reserve*

Revaluation reserve represents the difference between the fair value and carrying amount of the properties at the date of transferring the property, plant and equity to investment properties.

(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(p).

(vii) *Distributable reserve*

At 30 June 2017, the aggregate amounts of distributable reserves available for distribution to the equity shareholders of the Company, including share premium and accumulated losses of the Company were approximately RMB852,438,000 (2016: approximately RMB858,041,000). After the end of the reporting period, the directors did not propose a dividend (2016: Nil).

(d) 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 2017 was approximately RMB2,001,163,000 (2016: approximately RMB2,089,522,000).

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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23. FINANCIAL INSTRUMENTS

Category of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	1,509,330	1,549,569
Financial liabilities		
Financial liabilities measured at amortised cost	62,433	66,058

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 180 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 9% (2016: 34%) and 44% (2016: 59%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 30 June 2017.

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 99% of total cash and cash equivalents were deposited at one financial institution in the PRC (2016: 99%).

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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management and Fair Values (continued)

(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 periods 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:

	2017			2016		
	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	63,339	63,339	63,339	66,916	66,916	66,916

(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 periods.

(i) Interest rate profile

	2017		2016	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Variable rate instruments:				
Cash at bank	0%–0.5%	1,446,964	0%–0.5%	1,472,078
Total instruments		1,446,964		1,472,078

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(c) *Interest rate risk (continued)*

(ii) *Sensitivity analysis*

At 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and increase/decrease retained profits by approximately RMB12,299,000 (2016: approximately RMB12,513,000).

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 2016.

(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 2017, the Group's supplies of raw materials from the five largest suppliers represented 72% (2016: 61%) 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 HK\$. During the year, sales denominated in these foreign currencies represented 1% (2016: 1%) of the Group's total turnover. The Group does not employ any financial instruments for hedging its exposures to foreign currency risk.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management and Fair Values (continued)

(f) Currency risk (continued)

(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 periods 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 HK\$.

	2017		2016	
	HK\$ \$'000	USD \$'000	HK\$ \$'000	USD \$'000
Trade and other receivables	196	—	187	392
Cash and cash equivalents	549	1,541	538	259
Trade and other payables	(38)	—	(57)	—
Overall exposure	707	1,541	668	651

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss 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 periods had changed at that date, assuming all other risk variables remained constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rate	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits RMB'000	Increase/ (decrease) in foreign exchange rate	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits RMB'000
HK\$	5% (5)%	30 (30)	5% (5)%	28 (28)
USD	5% (5)%	65 (65)	5% (5)%	28 (28)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(f) **Currency risk** *(continued)*

(iv) **Sensitivity analysis** *(continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss 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 2016.

(g) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017 and 2016.

24. COMMITMENTS

(a) **Operating leases**

The Group as lessor

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	2,026	2,827
After 1 year but within 5 years	—	1,958
	2,026	4,785

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24. COMMITMENTS (continued)

(a) Operating leases (continued)

The Group as lessee

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

	2017 RMB'000	2016 RMB'000
Within 1 year	2,298	1,706
After 1 year but within 5 years	4,599	4,917
After 5 years	525	1,551
	7,422	8,174

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 5 to 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 the end of the reporting periods not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Contracted for		
— Acquisition of property, plant and equipment	1,091	309
Authorised but not contracted for		
— Acquisition of property, plant and equipment	52,634	57,167
	53,725	57,476

25. MATERIAL RELATED PARTY TRANSACTIONS

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:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	3,433	3,311
Contribution to retirement benefit schemes	43	41
	3,476	3,352

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

26. 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 21 and 23 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 20, 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 collectability. 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

26. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(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.

(f) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 June 2017 at their fair value of approximately RMB47,393,000 (2016:RMB51,801,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2017

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 2017, 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
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 15	Clarification to HKFRS 15	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements 2014–2016 Cycle	1 January 2017 or 1 January 2018, as appropriate

Notes to the financial statements

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27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2017 *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and was further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment assessment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2017 *(continued)*

HKFRS 15 Revenue from Contracts with Customers and the Clarifications

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28. FINANCIAL POSITION OF THE COMPANY

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Interests in subsidiaries	(a)	922,895	914,435
Current assets			
Cash and cash equivalents		436	448
Current liabilities			
Other payables and accruals		1,700	1,704
Net current liabilities			
		(1,264)	(1,256)
NET ASSETS			
		921,631	913,179
CAPITAL AND RESERVES			
Share capital	(b)	91,360	91,360
Reserves		830,271	821,819
TOTAL EQUITY			
		921,631	913,179

Approved and authorised for issue by the board of directors on 29 September 2017.

Wong Fun Chung
Director

Cheung Chuen
Director

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28. FINANCIAL POSITION OF THE COMPANY (continued)

(a) Interests in subsidiaries

	2017 RMB'000	2016 RMB'000
Unlisted equities, at cost	342	342
Amounts due from subsidiaries	922,553	914,093
	922,895	914,435

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, 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 2017 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		Principal activities
			Direct	Indirect	
Wide Plus High Precision Automation Limited	Hong Kong	HK\$10,000 of 10,000 shares without par value	100%	—	Investment holding
Fujian Wide Plus *	PRC	RMB813,714,104	—	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 the PRC. The English translation of the company name is for reference only. The official name of Fujian Wide Plus is in Chinese.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28. FINANCIAL POSITION OF THE COMPANY (continued)

(b) Movement in components of 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	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 July 2015	91,360	941,077	88,260	(107,095)	(164,404)	849,198
Change in equity for the year:						
Loss for the year	—	—	—	—	(6,892)	(6,892)
Other comprehensive income	—	—	—	70,873	—	70,873
Transfer of reserves upon lapse of share options	—	—	(88,260)	—	88,260	—
Total comprehensive (expenses)/ income	—	—	(88,260)	70,873	81,368	63,981
Balance at 30 June 2016	91,360	941,077	—	(36,222)	(83,036)	913,179
Balance at 1 July 2016	91,360	941,077	—	(36,222)	(83,036)	913,179
Change in equity for the year:						
Loss for the year	—	—	—	—	(5,603)	(5,603)
Other comprehensive income	—	—	—	14,055	—	14,055
Total comprehensive (expenses)/ income	—	—	—	14,055	(5,603)	8,452
Balance at 30 June 2017	91,360	941,077	—	(22,167)	(88,639)	921,631

Financial summary

RESULTS

	For the year ended 30 June				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Turnover	516,549	403,816	284,270	158,988	121,211
Profit/(loss) before taxation	49,588	(15,851)	(62,590)	(95,880)	(90,777)
Income tax (expenses)/credit	(13,311)	(3,654)	(3,160)	1,700	1,091
Profit/(loss) attributable to equity shareholders of the Company	36,277	(19,505)	(65,750)	(94,180)	(89,686)

ASSETS AND LIABILITIES

	At 30 June				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets	668,445	696,338	640,890	585,688	534,011
Current assets	1,701,144	1,665,889	1,628,742	1,591,931	1,550,279
Current liabilities	(91,585)	(101,393)	(71,523)	(67,728)	(63,911)
Net current assets	1,609,559	1,564,496	1,557,219	1,524,203	1,486,368
Total assets less current liabilities	2,278,004	2,260,834	2,198,109	2,109,891	2,020,379
Non-current liabilities	(17,986)	(18,032)	(21,378)	(20,369)	(19,216)
Total equity	2,260,018	2,242,802	2,176,731	2,089,522	2,001,163