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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 591)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2009 (the "Period").

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	**Six months ended 31 December**	
		2009	2008
		RMB'000	*RMB'000*
			(unaudited)
Turnover	*4*	**343,663**	336,243
Cost of sales		**(184,829)**	(175,412)
Gross profit		**158,834**	160,831
Other revenue	*6*	**7,966**	792
Other net income	*6*	**1,330**	131
Distribution costs		**(2,819)**	(2,315)
Administrative expenses		**(26,097)**	(19,737)
Profit from operations		**139,214**	139,702
Finance costs	*7(a)*	**(9,921)**	(2,900)
Profit before taxation	*7*	**129,293**	136,802
Income tax	*8(a)*	**(21,762)**	(19,884)
Profit for the period attributable to equity shareholders of the Company		**107,531**	116,918
Earnings per share	*9*		
— basic		**13.04 cents**	15.61 cents
— diluted		**13.03 cents**	15.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
Profit for the period attributable to equity shareholders of the Company	**107,531**	116,918
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China ("PRC") (excluding Hong Kong)	**148**	(337)
Total comprehensive income for the period	**107,679**	116,581

CONSOLIDATED BALANCE SHEET
At 31 December 2009
(Expressed in Renminbi Yuan)

	Note	At 31 December 2009 RMB'000	At 30 June 2009 RMB'000
Non-current assets			
Property, plant and equipment		**57,225**	57,256
Construction in progress		**86,691**	71,043
Lease prepayments		**10,656**	10,656
Deferred tax assets		**2,446**	2,676
		157,018	141,631
Current assets			
Inventories		**33,849**	28,630
Trade and other receivables	*10*	**258,066**	289,875
Cash and cash equivalents		**1,348,067**	203,474
		1,639,982	521,979
Current liabilities			
Bank loans		**—**	78,997
Trade and other payables	*11*	**141,661**	159,011
Amount due to a shareholder		**6,165**	5,731
Amount due to a related party		**294**	20,413
Current taxation		**10,312**	10,587
Provision for warranty		**1,228**	1,055
		159,660	275,794
Net current assets		**1,480,322**	246,185
Total assets less current liabilities		**1,637,340**	387,816
Non-current liabilities			
Deferred tax liabilities		**17,826**	17,785
		17,826	17,785
NET ASSETS		**1,619,514**	370,031
CAPITAL AND RESERVES			
Share capital	*13*	**91,360**	342
Reserves		**1,528,154**	369,689
TOTAL EQUITY		**1,619,514**	370,031

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	Surplus reserve	Share-based compensation reserve	Other Reserve	Exchange reserve	Retained profits	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2008		342	—	—	70,216	4,760	2,982	3,785	295,982	378,067
Changes in equity for the six months ended 31 December 2008:										
Total comprehensive income for the period		—	—	—	—	—	—	(337)	116,918	116,581
Equity settled share-based transactions		—	—	—	—	8,947	—	—	—	8,947
Balance at 31 December 2008 (unaudited) and 1 January 2009		342	—	—	70,216	13,707	2,982	3,448	412,900	503,595
Changes in equity for the six months ended 30 June 2009:										
Total comprehensive income for the period		—	—	—	—	—	—	65	83,039	83,104
Equity settled share-based transactions		—	—	—	—	13,658	—	—	—	13,658
Dividend declared and paid during the period		—	—	—	—	—	—	—	(230,326)	(230,326)
Balance at 30 June 2009 and 1 July 2009		**342**	**—**	**—**	**70,216**	**27,365**	**2,982**	**3,513**	**265,613**	**370,031**
Changes in equity for the six months ended 31 December 2009:										
Issuance of convertible bonds		**—**	**—**	**2,018**	**—**	**—**	**—**	**—**	**—**	**2,018**
Shares issued upon issuance of convertible bonds	*13*	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1**
Redemption of shares upon conversion of convertible bonds	*13*	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**
Shares issued upon conversion of convertible bonds	*13*	**78**	**223,383**	**(2,018)**	**—**	**—**	**—**	**—**	**—**	**221,443**
Capitalisation issue	*13*	**65,625**	**(65,625)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Shares issued under placing and public offering, net of share issuing expenses	*13*	**25,315**	**893,028**	**—**	**—**	**—**	**—**	**—**	**—**	**918,343**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**148**	**107,531**	**107,679**
Balance at 31 December 2009		**91,360**	**1,050,786**	**—**	**70,216**	**27,365**	**2,982**	**3,661**	**373,144**	**1,619,514**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

China High Precision Automation Group Limited ("the Company") was incorporated in the Cayman Islands on 29 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business at Room 2805, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Pursuant to a reorganisation ("the Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in the preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), the Company became the holding company of the Group on 3 April 2008. Details of the Reorganisation are set out in the prospectus of the Company dated 2 November 2009. The Company's shares were listed on the Stock Exchange on 13 November 2009.

Details of the Company's subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Wide Plus High Precision Automation Limited ("Wide Plus High Precision")	Hong Kong	10,000 shares of HK$1 each	100%	—	Investment holding
Fujian Wide Plus Precision Instrument Co., Ltd. ("Fujian Wide Plus")*	PRC	US$40,000,000	—	100%	Manufacture and sale of high precision industrial automation instrument and technology products and multi-functional all plastic quartz watch movements

* Fujian Wideplus is a wholly foreign owned enterprise.

The comparative amounts for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement in respect of the six months ended 31 December 2008 and related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts and have not been audited.

2 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements include the results of operations of the companies comprising the Group.

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

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

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("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.

3 CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. The following developments are relevant to the Group's financial statements:

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*

— Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*

— HKAS 23 (revised 2007), *Borrowing costs*

— Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*

The amendments to HKFRS 2 have had no material impact on the Group's interim financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's interim financial statements. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This is consistent with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on product types. The adoption of HKFRS 8, however, has resulted in additional disclosures which explain the basis of preparation of the segment information and reconciliation of reportable segment revenue, profit, assets and liabilities. Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous period have not been restated.

— HKAS 23 (revised 2007) requires capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The option of immediately expensing those borrowing costs, which was the accounting policy previously adopted by the Group in its financial statements, has been removed. In accordance with the transitional provisions, the Group has applied HKAS 23 (revised 2007) prospectively to all borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

4 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, and value added taxes and other sales taxes. The amount of each significant category of revenue recognised during the period presented is as follows:

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
Sales of automation instrument and technology products	**269,017**	235,210
Sales of horological instruments	**74,646**	101,033
	343,663	336,243

For the six months ended 31 December 2009, there was no customer with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2008: Nil (unaudited)).

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2009 and 2008 is set out below.

	Automation instrument and technology products Six months ended 31 December		**Horological instruments Six months ended 31 December**		**Total Six months ended 31 December**	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)		(unaudited)		(unaudited)
Reportable segment revenue	**269,017**	235,210	**74,646**	101,033	**343,663**	336,243
Reportable segment profit (adjusted profit from operations)	**120,894**	112,648	**27,985**	36,617	**148,879**	149,265

	Automation instrument and technology products		**Horological instruments**		**Total**	
	At 31 December 2009	At 30 June 2009	**At 31 December 2009**	At 30 June 2009	**At 31 December 2009**	At 30 June 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**332,263**	315,850	**112,791**	128,119	**445,054**	443,969
Additions to non-current segment assets during the period	**18,223**	34,212	**1,339**	234	**19,562**	34,446
Reportable segment liabilities	**84,379**	96,085	**51,644**	52,746	**136,023**	148,831

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

	Six months ended 31 December **2009** *RMB'000*	2008 *RMB'000* (unaudited)
Revenue		
Reportable segment revenue	**343,663**	336,243
Consolidated turnover	**343,663**	336,243

	Six months ended 31 December **2009** *RMB'000*	2008 *RMB'000* (unaudited)
Profit		
Reportable segment profit	**148,879**	149,265
Unallocated head office and corporate expenses	**(19,586)**	(12,463)
Consolidated profit before taxation	**129,293**	136,802

	At 31 December 2009 *RMB'000*	At 30 June 2009 *RMB'000*
Assets		
Reportable segment assets	**445,054**	443,969
Unallocated head office and corporate assets	**1,351,946**	219,641
Consolidated total assets	**1,797,000**	663,610

	At 31 December 2009 *RMB'000*	At 30 June 2009 *RMB'000*
Liabilities		
Reportable segment liabilities	**136,023**	148,831
Unallocated head office and corporate liabilities	**41,463**	144,748
Consolidated total liabilities	**177,486**	293,579

6 OTHER REVENUE AND OTHER NET INCOME

	Six months ended 31 December 2009 *RMB'000*	2008 *RMB'000* (unaudited)
Other revenue		
Bank interest income	**679**	792
Loan interest income *(note (i))*	**4,447**	—
Government grants *(note (ii))*	**2,840**	—
	7,966	792

Notes:

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

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

	Six months ended 31 December 2009 *RMB'000*	2008 *RMB'000* (unaudited)
Other net income		
Net exchange gain	**1,330**	131

7 PROFIT BEFORE TAXATION

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

	Six months ended 31 December 2009 *RMB'000*	2008 *RMB'000* (unaudited)
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**9,921**	2,900
Interest on convertible bonds *(note 12)*	**11,386**	—
Less: Borrowing costs capitalised as construction in progress	**(11,386)**	—
	9,921	2,900

The borrowing costs during the six months ended 31 December 2009 have been capitalised at a rate of 15.84% per annum (six months ended 31 December 2008: Nil (unaudited)) for construction in progress.

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
(b) Staff costs:		
Contributions to defined contribution retirement plans	**313**	294
Equity-settled share-based payment expenses	**—**	8,947
Salaries, wages and other benefits	**14,759**	14,695
	15,072	23,936

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

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
(c) Other items:		
Depreciation	**3,944**	3,546
Reversal of impairment losses on trade and other receivables *(note 10(b))*	**(1,703)**	—
Research and development costs	**4,445**	2,727
Increase in provision for warranty	**270**	235
Auditors' remuneration	**1,268**	11
Operating lease charges in respect of leasehold land and properties	**952**	963
Listing expenses	**13,323**	—
Cost of inventories	**184,829**	175,412

Note: Cost of inventories includes RMB12,742,000 (six months ended 31 December 2008: RMB13,569,000 (unaudited)) relating to staff costs and depreciation, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
Current tax — PRC Enterprise Income Tax		
Provision for the year	**21,491**	13,215
Deferred tax		
Origination and reversal of temporary differences	**271**	6,669
	21,762	19,884

(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 did not have any assessable profits subject to Hong Kong Profits Tax during the six months ended 31 December 2009 (six months ended 31 December 2008: Nil (unaudited)).

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

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

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

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

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

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

At 31 December 2009, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to RMB481,809,000 (30 June 2009: RMB352,500,000). Deferred tax liabilities of RMB6,465,000 (30 June 2009: Nil) 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 foreign-invested enterprise and the directors have determined that a portion of these profits will not be distributed in the foreseeable future.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2009 of RMB107,531,000 (six months ended 31 December 2008: RMB116,918,000 (unaudited)) and the weighted average number of 824,710,000 ordinary shares (six months ended 31 December 2008: 749,121,000 ordinary shares (unaudited)) in issue during the period, calculated as follows:

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
		(unaudited)
Earnings:		
Net profit (basic and diluted)	**107,531**	116,918

	Six months ended 31 December	
	2009	2008
	'000	*'000*
		(unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 July	**3,800**	3,800
Effect of shares issued upon conversion of convertible bonds	**249**	—
Number of ordinary shares issued under capitalisation issue	**745,321**	745,321
Effect of ordinary shares issued under placing and public offering	**75,340**	—
Weighted average number of ordinary shares (basic)	**824,710**	749,121

The weighted average number of ordinary shares issued pursuant to capitalisation issue is calculated as if the shares had been outstanding throughout the current and prior periods.

(b) Diluted earning per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2009 of RMB107,531,000 (six months ended 31 December 2008: RMB116,918,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options granted under the Pre-IPO share option scheme and the convertible bonds (note 12), assuming they were exercised or converted.

Net profit for the purpose of calculation of diluted earnings per share for the six months ended 31 December 2009 is the same as that for basic earnings per share, as the entire amount of interest expense on the convertible bonds for the six months ended 31 December 2009 was capitalised under the cost of construction in progress.

	Six months ended 31 December	
	2009	2008
	'000	*'000*
		(unaudited)
Weighted average number of ordinary shares (basic)	**824,710**	749,121
Effect of deemed issue of shares under the Company's Pre-IPO share option scheme	**—**	22,500
Effect of conversion of convertible bonds *(note 12)*	**596**	—
Weighted average number of ordinary shares (diluted)	**825,306**	771,621

10 TRADE AND OTHER RECEIVABLES

	At 31 December 2009 *RMB'000*	At 30 June 2009 *RMB'000*
Trade receivables	**253,840**	261,661
Less: Allowance for doubtful debts *(note 10(b))*	**(1,952)**	(3,655)
	251,888	258,006
Prepayments for inventories purchase	**—**	15,000
Prepaid listing expenses	**—**	13,463
Other prepayments, deposits and receivables	**6,178**	3,406
	6,178	31,869
	258,066	289,875

All of the trade and other receivables are expected to be recovered within one year. The Group generally grants credit periods of 4–5 months from the date of billing to its trade customers.

(a) Ageing analysis

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

	At 31 December 2009 *RMB'000*	At 30 June 2009 *RMB'000*
Neither past due nor impaired (current)	**247,124**	240,823
Less than 1 month past due	**2,250**	—
1 to 3 months past due	**2,514**	8,463
More than 3 months but less than 12 months past due	**—**	8,720
Amounts past due	**4,764**	17,183
	251,888	258,006

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

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

(b) Impairment of trade and other receivables

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

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

	RMB'000	*RMB'000*
At 1 July 2009/1 July 2008	**3,655**	3,655
Recovery of doubtful debts	**(3,655)**	—
Impairment loss recognised	**1,952**	—
At 31 December 2009/30 June 2009	**1,952**	3,655

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,952,000 were recognised for the six months ended 31 December 2009 (year ended 30 June 2009: Nil). The Group does not hold any collateral over these balances.

(c) Bank loans secured by trade receivables

As at 30 June 2009, trade receivables of the Group amounted to RMB6,663,000 (31 December 2009: Nil) were assigned and charged in favour of a bank in the PRC as a security for loans of RMB5,997,000.

11 TRADE AND OTHER PAYABLES

	At 31 December 2009 ***RMB'000***	At 30 June 2009 *RMB'000*
Trade payables	**101,378**	115,280
Other payables and accruals	**40,283**	43,731
	141,661	159,011

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

	At 31 December 2009 ***RMB'000***	At 30 June 2009 *RMB'000*
Due within 1 month or on demand	**8,796**	17,187
Due after 1 month but within 3 months	**50,213**	74,394
Due after 3 months but within 6 months	**42,369**	23,699
	101,378	115,280

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

12 CONVERTIBLE BONDS

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

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

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

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

On 10 November 2009 and in accordance with the terms and conditions of the CB Subscription Deed, the whole principal amount of the CBs issued to Standard Bank Plc, Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited was converted to 452,284, 418,615 and 8,543 Class A shares of the Company, representing 7.25%, 6.71% and 0.14% interests in the Company prior to the capitalisation issue respectively.

Movements of the convertible bonds are as follows:

	Note	**Liability component** *RMB'000*	**Derivative component** *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
At 1 July 2009		—	—	—	—
Issuance of convertible bonds, net of direct transaction cost		203,371	9,990	2,018	215,379
Interest charged for the period	*7(a)*	11,386	—		11,386
Interest paid during the period		(6,532)	—	—	(6,532)
Change in fair value of derivative component — embedded currency swap		—	3,228	—	3,228
Conversion into ordinary shares of the Company		(208,225)	(13,218)	(2,018)	(223,461)
At 31 December 2009		—	—	—	—

13 SHARE CAPITAL

Authorised and issued share capital

Movements of the authorised share capital of the Company during the six months ended 31 December 2009 and year ended 30 June 2009 are as follows:

		Par value		Number of shares			
		Class A shares	**Class B shares**	**Class A shares**	**Class B shares**	**Nominal value of ordinary shares**	
	Note	*HK$*	*HK$*	*'000*	*'000*	*HK$'000*	*RMB'000*
Authorised:							
At 1 July 2008	*(i)(a)*	0.1	—	3,800	—	380	342
Increase in authorised share capital on 19 March 2009	*(i)(b)*	0.1	0.001	1,220	—	122	100
Redesignation of shares	*(i)(b)*	0.1	0.001	(20)	2,000	—	—
At 30 June 2009 and 1 July 2009		0.1	0.001	5,000	2,000	502	442
Cancellation of shares	*(i)(c)*	0.1	0.001	—	(2,000)	(2)	(2)
Increase in authorised share capital on 10 November 2009	*(i)(d)*	0.1	—	9,995,000	—	999,500	880,060
At 31 December 2009		0.1	—	10,000,000	—	1,000,000	880,500

A summary of the movements in the Company's issued share capital during the six months ended 31 December 2009 and year ended 30 June 2009 are as follows:

		Par value		Number of shares			
		Class A shares	**Class B shares**	**Class A shares**	**Class B shares**	**Nominal value of ordinary shares**	
	Note	*HK$*	*HK$*	*'000*	*'000*	*HK$'000*	*RMB'000*
Issued and fully paid:							
At 1 July 2008, 30 June 2009 and 1 July 2009		0.1	—	3,800	—	380	342
Issue of shares upon issuance of convertible bonds	*(ii)(a)*	0.1	0.001	—	879	1	1
Redemption of shares upon conversion of convertible bonds	*(i)(c)*	0.1	0.001	—	(879)	(1)	(1)
Issue of shares upon conversion of convertible bonds	*(ii)(b)*	0.1	—	879	—	88	78
Capitalisation issue	*(ii)(c)*	0.1	—	745,321	—	74,532	65,625
Issues of shares under placing and public offering	*(ii)(d)*	0.1	—	287,500	—	28,750	25,315
At 31 December 2009		0.1	—	1,037,500	—	103,750	91,360

Notes:

(i) AUTHORISED SHARE CAPITAL

(a) The Company was incorporated on 29 November 2007 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

(b) By an ordinary resolution of the Company passed on 19 March 2009, the Company's authorised share capital was increased to HK$502,000 by the creation of an additional 1,220,000 shares of HK$0.1 each. Following the increase, the Company's authorised share capital of HK$502,000 was redesignated and reclassified into 5,000,000 class A shares of HK$0.1 each of 2,000,000 Class B shares of HK$0.001 each, having the rights and privileges and subject to the restrictions set out in the Articles of Association of the Company.

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

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

(ii) ISSUED SHARE CAPITAL

(a) Issue of shares upon issue of convertible bonds

On 8 July 2009, 879,442 Class B shares were issued to Standard Bank Plc, the subscriber of CBs at par value of HKD0.001 each.

(b) Issue of shares upon conversion of convertible bonds

As set out in note 12, on 10 November 2009, the entire principal amount of CBs was converted into 879,442 Class A shares of the Company.

(c) Capitalisation issue

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

(d) Issue of shares under placing and public offering

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

(iii) As at 31 December 2009, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global economic crisis has adversely affected the world economies since late 2008. Despite the challenging commercial environment, the shares of the Company were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2009.

Business Review

The Group is one of the market leaders in the high precision industrial automation instrument and technology products industry in China and operates under the brand of "Wide Plus". The Group is principally engaged in the research and development, manufacturing and sale of high precision industrial automation instrument and technology products, targeting the middle to high-end segments of the industrial automation instruments markets.

The Group's high precision industrial automation instrument and technology products are extensively used in wide range of industries including aerospace, oil and gas, petrochemical, power generation, mining and metallurgy, iron and steel, automotive, food and beverage, pharmaceutical, papermaking and machinery industries.

The Group is also engaged in the manufacturing of horological instruments products for use in the manufacture of quartz watches.

After experiencing the gloomiest time in the first half of 2009, the economy gradually reverted to normal. According to the China Economic Information Network, the GDP growth rate in PRC rebounded from 6.1% to 7.9% in the second quarter of 2009, 9.1% and 10.7% in the third and fourth quarter, respectively. For the period form January to November 2009, the total revenue from the industrial instruments industry in PRC amounted to approximately RMB442 billion and the total asset for the industry recorded approximately RMB449 billion. The products of the Group much targeted on the mid to high-end market, which was less affected by the financial crisis. The high precision ideology applied to our industrial automation products creates entrance barriers against local competitions, enabling us to maintain our niche among our competitors.

The production of the industrial automation segment had been experiencing capacity constraints since 2008. The revenues are expected to grow after the launch of the 2nd phase development project. In the 2nd phase production plant, there are in total 10 production chambers, 2 of them had started operation before the Lunar New Year. We expect 1 new chamber will commence production in every coming month.

The quartz watch movement segment is an indispensable business for the Group. Originally the world's quartz watch movement market, including China, was dominated by international players. After keen competitions in the past decade, many of our competitors were driven out of the business. Without major international competitors and after financial crisis, the demand of quartz watch movements well exceeds its supply, which allows for upward price adjustments. Our management will study the market situation intently and take appropriate action when the market situation becomes more favorable.

Segment Information

The Group has adopted business segment information as its primary reporting format.

Automation instrument and technology products

During the Period, sales of high precision industrial automation instrument and technology products amounted to RMB269,017,000 (six months ended 31 December 2008: RMB235,210,000), representing approximately 78.3% (six months ended 31 December 2008: 70.0%) 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. Reportable segment profit of this business segment was approximately RMB120,894,000 (six months ended 31 December 2008: approximately RMB112,648,000), representing an increase of about 7.3% as compared to that of the corresponding period in 2008.

Horological instruments

Sales of horological instruments was approximately RMB74,646,000 (six months ended 31 December 2008: approximately RMB101,033,000), which accounts for approximately 21.7% (six months ended 31 December 2008: 30.0%) of the Group's total turnover during the Period. This segment recorded reportable segment profit of approximately RMB27,985,000, as compared to approximately RMB36,617,000 in the corresponding period of 2008.

Manufacturing Facilities

The Group has large-scale production facilities and is expanding its productivity to enhance its competitive strength when the market recovers.

The existing manufacturing facility (1st phase development) of the Group 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) is currently running close to its full production capacity.

As the utilization rate of the above existing plant has reached its maximum since 2008, the Group planned for an expansion and upgrade of its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at 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 metres.

The 2nd phase development is solely for the expansion of the Group's production capacity of its existing products. The factory on site commenced production, with its expected full-scale production capacity in December 2010. The Directors believes that by the time the new facilities are in full operation, the Group's production capacity of its existing products will be doubled.

The 3rd phase development is solely for actuators, one of the Group's new products. The construction is scheduled in the second half of 2010 and is expected to be completed by June 2011, with its expected full-scale production capacity in June 2013. In light of the uncertainties in the global market during the slow recovery from the economic crisis, the Directors will proceed with the future developments cautiously.

Prospect

We started the research and development of the actuator more than five years ago and the products had been sent to users among different industries for testing and trial operation. Our management is confident of launching this production line and we are optimistic that the above 3rd phase development will be ready in operation on schedule. To further ensure the success of the above 3rd phase development, as well as for our long term development, we are attempting to hire experienced local and overseas industry experts to join our management and technical teams. We are eager to acquire advanced international management skills and seek for continuous improvements.

In early 2009, the Central People's Government of PRC announced the Promotion Scheme for the Mission-Critical Equipment Industry and Manufacturing Industry (重大裝備製造業振興計劃), one of the measures was to encourage PRC enterprises to procure domestic made equipments. The detailed measures have not been announced and the degree of implementation by various provincial governments are different. In May, the State Council of PRC announced suggestions for encouraging the trial run of domestic produced equipments. The suggestions included subsidizing the purchase of the first machine and the setting up of risk compensation mechanisms which would probably be in form of machine insurance for the trial run users. As an example, in Shanghai, after the equipment was officially recognized as mission-critical equipment, funds would be provided for end users compensating the risks of using the first domestic made equipment. The Shanghai government planned to give subsidy not exceeding 10 percent of the value of the machine or 50 percent of the premium, capped at a maximum amount of RMB8 million. We expect this scheme will enhance the Group's sale performance.

Financial Review

Turnover

Turnover of the Group amounted to approximately RMB343,663,000 for the Period (six months ended 31 December 2008: approximately RMB336,243,000), representing a slight increase of about 2.2% as compared to the corresponding period last year. The turnover was comparable to that of the same period last year because our manufacturing facilities have been running at close to full capacity since 2008.

Gross profit and operating profit

During the Period, the Group's gross profit and operating profit amounted to approximately RMB158,834,000 (six months ended 31 December 2008: approximately RMB160,831,000) and RMB139,214,000 (six months ended 31 December 2008: approximately RMB139,702,000) respectively.

The segment gross profit margin of automation instrument and technology products segment decreased from 51.7% for the six months ended 31 December 2008 to 48.8% for the six months ended 31 December 2009. The decrease in overall segment gross profit margin was mainly due to the effect of changes in product mix, the average selling price for individual products remained relatively stable over the periods.

The segment gross profit margin of horological instruments segment slightly decreased from 38.8% for the six months ended 31 December 2008 to 37.0% for the six months ended 31 December 2009. It was because average selling price per unit was gradually decreased from RMB1.92 for the six months ended 31 December 2008 to RMB1.73 for the six months ended 31 December 2009. The Group reduced its selling prices to maintain market share in an intensely price competitive market.

During the Period, the Group recognised approximately RMB13,323,000 for Initial Public Offering related expenses. Together with the increase in interest income on short-term loan to a shareholder of RMB4,447,000 and the decrease in equity-settled share-based payment expenses of RMB8,947,000, the Group's operating profit remained at similar level as compared to the same period in 2008.

Net profit

The profit attributable to the shareholders of the Company for the Period was approximately RMB107,531,000, as compared to that of approximately RMB116,918,000 in the corresponding period of 2008. It was mainly attributable to the increase in finance cost and the higher income tax expense due to the increase in applicable tax rate.

Earnings per share

The basic and diluted earnings per share for the Period were RMB13.04 cents (2008: RMB15.61 cents) and RMB13.03 cents (2008: RMB15.15 cents) respectively.

Liquidity and Financial Resources

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

As at 31 December 2009, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,348,067,000 (30 June 2009: approximately RMB203,474,000), approximately RMB1,480,322,000 (30 June 2009: approximately RMB246,185,000) and approximately RMB1,637,340,000 (30 June 2009: approximately RMB387,816,000) respectively.

Borrowings

As at 31 December 2009, the Group had no bank borrowings (30 June 2009: approximately RMB78,997,000).

Equity

Total equity attributable to the shareholders of the Group as at 31 December 2009 increased by approximately RMB1,249,483,000 to approximately RMB1,619,514,000 (30 June 2009: approximately RMB370,031,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 31 December 2009 was approximately 0.1 (30 June 2009: approximately 0.8).

Use of Proceeds from the Placing and the Public Offering

The Company's shares were listed on the Main Board of the 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). The net proceeds from the placing and the public offering of approximately HK$1,043,000,000 (the "Net Proceeds") will mainly be utilized 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;

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.

The Group has not utilized the Net Proceeds as at 31 December 2009 and the Net Proceeds have been placed in short-term deposits with financial institutions.

Share Capital

Details of changes in the Company's share capital during the Period were set out in note 13 to the consolidated interim result announcement.

Significant Investments

The Group had no significant investment held during the Period.

Acquisition and Disposal of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries or associated companies by the Group during the Period.

Employees and Share Option Scheme

As at 31 December 2009, the Group employed a total of 1,047 employees (31 December 2008: 1,044 employees). 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 Period, staff cost (including Directors' emoluments) amounted to approximately RMB15,072,000 (2008: RMB23,936,000). 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 Period, no option has been granted, exercised, cancelled or lapsed and there is no share option outstanding under the Scheme.

Charge on Assets

As at 31 December 2009, the Group did not have any charges on its assets.

Future Plans for Material Investments and Expected Sources of Funding

Apart from the expansion of manufacturing facilities as described in p.21, the Group had no future plans for material investments as at 31 December 2009.

The Group will continue to monitor the industry closely 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 principally in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Period and will continue to closely monitor such risk exposures from time to time.

Capital Commitment

As at 31 December 2009, in respect of capital expenditures, the Group had capital commitment contracted for but not provided in the financial statements and capital commitment authorized but not contracted for amounted to approximately RMB157,423,000 and RMB170,049,000 respectively.

Contingent Liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities.

Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2009.

Interim Results

The consolidated interim financial results of the Group for the six months ended 31 December 2009 have been reviewed by the Audit Committee and are extracted from the consolidated interim financial statements for the six months ended 31 December 2009 to be included in the interim report of the Company for the six months ended 31 December 2009 (the "2009 Interim Report"). Audited consolidated interim results of the Group are expected to be published in the 2009 Interim Report.

The comparative amounts for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement and related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts and have not been audited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 November 2009. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

CORPORATE GOVERNANCE

The Company has compiled with most of the code provisions stipulated in the Code on Corporate Governance Practices (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") since the listing of the Company on the Main Board of the Stock Exchange on 13 November 2009 to 31 December 2009, except for the deviation from the code provision A.2.1 of the Code as described below.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer 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. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long term business strategies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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. The Company has made specific enquiries of all Directors and all Directors confirmed that they have compiled with the required standards set out in the Model Code since the Company's listing on 13 November 2009.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu Taylor, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviews and determines the remuneration of all the executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

The Group established a nomination committee (the "Nomination Committee") on 25 August 2008 with written terms of reference as recommended under the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointment and removal of Directors and management of the succession of the Board. The Nomination Committee comprises 3 independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor was appointed as the Chairman of the Nomination Committee.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 25 August 2008 with written terms of reference which are in compliance with the Code. 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 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 Audit Committee has reviewed the audited interim financial statements and the interim report for the six months ended 31 December 2009.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.chpag.net.

The consolidated interim financial results of the Group for the six months ended 31 December 2009 have been reviewed by the Audit Committee and are extracted from the consolidated interim financial statements for the six months ended 31 December 2009 to be included in the 2009 Interim Report. Audited consolidated interim results of the Group are expected to be published in the 2009 Interim Report.

The 2009 Interim Report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.net and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 24 March 2010

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