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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 2010

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") herein presents the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2010 (the "Period") as follows:

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2010
(Expressed in Renminbi Yuan)

		Six months ended 31 December	
	Note	**2010**	2009
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Turnover	*3*	**423,296**	343,663
Cost of sales		**(211,905)**	(184,829)
Gross profit		**211,391**	158,834
Other revenue	*4*	**8,216**	7,966
Other net income	*4*	**1,346**	1,330
Distribution costs		**(3,152)**	(2,819)
Administrative expenses		**(19,982)**	(26,097)
Profit from operations		**197,819**	139,214
Finance costs	*5(a)*	**—**	(9,921)
Profit before taxation	*5*	**197,819**	129,293
Income tax	*6*	**(30,690)**	(21,762)
Profit for the period attributable to equity shareholders of the Company		**167,129**	107,531
Earnings per share (RMB cents)	*7*		
— basic		**16.11**	13.04
— diluted		**16.11**	13.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2010
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the period attributable to equity shareholders of the Company	**167,129**	107,531
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(11,433)**	148
Total comprehensive income for the period	**155,696**	107,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2010
(Expressed in Renminbi Yuan)

	Note	At 31 December 2010 RMB'000 (Unaudited)	At 30 June 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**206,207**	166,040
Construction in progress		**104,704**	30,308
Interests in leasehold land held for own use under operating leases		**10,202**	10,315
Prepayments for construction costs		**—**	3,682
Deposits for the purchase of property, plant and equipment		**68,558**	18,702
Deferred tax assets		**2,489**	2,489
		392,160	231,536
Current assets			
Inventories		**44,535**	38,462
Trade and other receivables	*9*	**362,406**	284,269
Cash and cash equivalents		**1,278,256**	1,369,617
		1,685,197	1,692,348
Current liabilities			
Trade and other payables	*10*	**196,654**	159,454
Current taxation		**17,823**	11,921
Provision for warranty		**1,489**	1,139
		215,966	172,514
Net current assets		**1,469,231**	1,519,834
Total assets less current liabilities		**1,861,391**	1,751,370
Non-current liabilities			
Deferred tax liabilities		**17,966**	17,966
		17,966	17,966
NET ASSETS		**1,843,425**	1,733,404
CAPITAL AND RESERVES			
Share capital		**91,360**	91,360
Reserves		**1,752,065**	1,642,044
TOTAL EQUITY		**1,843,425**	1,733,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2010 — unaudited
(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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2009	342	—	—	70,216	27,365	2,982	3,513	265,613	370,031
Changes in equity for the six months ended 31 December 2009:									
Profit for the period	—	—	—	—	—	—	—	107,531	107,531
Other comprehensive income	—	—	—	—	—	—	148	—	148
Total comprehensive income	—	—	—	—	—	—	148	107,531	107,679
Issuance of convertible bonds	—	—	2,018	—	—	—	—	—	2,018
Shares issued upon issuance of convertible bonds	1	—	—	—	—	—	—	—	1
Redemption of shares upon conversion of convertible bonds	(1)	—	—	—	—	—	—	—	(1)
Shares issued upon conversion of convertible bonds	78	223,383	(2,018)	—	—	—	—	—	221,443
Capitalisation issue	65,625	(65,625)	—	—	—	—	—	—	—
Shares issued under placing and public offering, net of share issuing expenses	25,315	893,028	—	—	—	—	—	—	918,343
Balance at 31 December 2009 and 1 January 2010	**91,360**	**1,050,786**	**—**	**70,216**	**27,365**	**2,982**	**3,661**	**373,144**	**1,619,514**
Changes in equity for the six months ended 30 June 2010:									
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**120,127**	**120,127**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(6,237)**	**—**	**(6,237)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(6,237)**	**120,127**	**113,890**
Balance at 30 June 2010 and 1 July 2010	**91,360**	**1,050,786**	**—**	**70,216**	**27,365**	**2,982**	**(2,576)**	**493,271**	**1,733,404**
Changes in equity for the six months ended 31 December 2010:									
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**167,129**	**167,129**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(11,433)**	**—**	**(11,433)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(11,433)**	**167,129**	**155,696**
Dividend declared and approved in respect of the previous year	**—**	**(45,675)**	**—**	**—**	**—**	**—**	**—**	**—**	**(45,675)**
Balance at 31 December 2010	**91,360**	**1,005,111**	**—**	**70,216**	**27,365**	**2,982**	**(14,009)**	**660,400**	**1,843,425**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2010
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash generated from operations	**134,982**	154,127
PRC income tax paid	**(24,787)**	(21,766)
Net cash generated from operating activities	**110,195**	132,361
Net cash used in investing activities	**(155,881)**	(6,024)
Net cash (used in)/generated from financing activities	**(45,675)**	1,018,256
Net (decrease)/increase in cash and cash equivalents	**(91,361)**	1,144,593
Cash and cash equivalents at beginning of the period	**1,369,617**	203,474
Cash and cash equivalents at end of the period	**1,278,256**	1,348,067

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 February 2011.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 30 June 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 13 October 2010.

2. CHANGES IN ACCOUNTING POLICIES

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

- Improvements to HKFRSs (2009)
- HK (Int) 5, *Presentation of financial statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*
- HK (IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Improvements to HKFRSs (2010)

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

The impact of the Improvements to HKFRSs (2009) is discussed below:

As a result of an amendment to HKAS 17, *Leases*, arising from the *Improvements to HKFRSs (2009)* omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

The issuance of HK (Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

The impact of HK (IFRIC) 19 and Improvements to HKFRSs (2010) have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

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, 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	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of automation instrument and technology products	**350,256**	269,017
Sales of horological instruments	**73,040**	74,646
	423,296	343,663

During the six months ended 31 December 2010, there was no customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2009: Nil (audited)).

4. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other revenue		
Bank interest income	**8,216**	679
Loan interest income *(note (i))*	—	4,447
Government grants *(note (ii))*	—	2,840
	8,216	7,966

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	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other net income		
Net exchange gain	**1,346**	1,330

5. PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	—	9,921
Interest on convertible bonds	—	11,386
Less: Borrowing costs capitalised as construction in progress	—	(11,386)
	—	9,921

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

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(b) Staff costs:		
Contributions to defined contribution retirement plans	**456**	313
Salaries, wages and other benefits	**19,976**	14,759
	20,432	15,072

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 employees' 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	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(c) Other items:		
Depreciation	**6,097**	3,944
Amortisation	**113**	—
Reversal of impairment losses on trade and other receivables	**—**	(1,703)
Research and development costs	**2,646**	4,445
Increase in provision for warranty	**440**	270
Auditors' remuneration	**820**	1,268
Operating lease charges:		
minimum lease payments — properties	**925**	952
Listing expenses	**—**	13,323
Cost of inventories *(note)*	**211,905**	184,829

Note: Cost of inventories includes RMB14,405,000 (unaudited) (six months ended 31 December 2009: RMB12,742,000 (audited)) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6. INCOME TAX

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax — PRC Enterprise Income Tax		
Provision for the period	**30,690**	21,491
Deferred tax		
Origination and reversal of temporary differences	**—**	271
	30,690	21,762

(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 period (unaudited) (six months ended 31 December 2009: Nil (audited)).

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

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

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

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

In addition, under the new CIT Law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the *Arrangement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion*, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to Cai Shui [2008] No. 1 *Notice on Certain Preferential Enterprise Income Tax Policies*, undistributed profits generated prior to 1 January 2008 are exempt from such withholding tax. Accordingly, dividends receivable by Wide Plus High Precision Automation Limited 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 2010, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to RMB778,711,000 (unaudited) (30 June 2010: RMB606,472,000 (audited)). Deferred tax liabilities of RMB21,311,000 (unaudited) (30 June 2010: RMB12,698,000 (audited)) 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.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB167,129,000 (unaudited) (six months ended 31 December 2009: RMB107,531,000 (audited)) and the weighted average of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2009: 824,710,000 ordinary shares (audited)) in issue during the interim period, calculated as follow:

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings:		
Net profit (basic and diluted)	**167,129**	107,531

	Six months ended 31 December	
	2010	2009
	'000	*'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 July	**1,037,500**	3,800
Effect of shares issued upon conversion of convertible bonds	**—**	249
Number of ordinary shares issued under capitalisation issue *(note)*	**—**	745,321
Effect of ordinary shares issued under placing and public offering	**—**	75,340
Weighted average number of ordinary shares (basic)	**1,037,500**	824,710

Note: The weighted average number of ordinary shares issued pursuant to capitalisation issue is calculated as if the shares had been outstanding throughout the period.

(b) Diluted earnings 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 2010 of RMB167,129,000 (unaudited) (six months ended 31 December 2009: RMB107,531,000 (audited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the convertible bonds, 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	
	2010	2009
	'000	*'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares (basic)	**1,037,500**	824,710
Effect of conversion of convertible bonds	**—**	596
Weighted average number of ordinary shares (diluted)	**1,037,500**	825,306

8. SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade and other payables as well as provision for warranty 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 reporting segment profit, the Group's profit from operations is adjusted for items not specifically attributed to individual segments, such as head office or corporate administration 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 2010 and 2009 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
For the six months ended 31 December	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment revenue	**350,256**	269,017	**73,040**	74,646	**423,296**	343,663
Reportable segment profit (adjusted profit from operations)	**178,530**	120,894	**27,062**	27,985	**205,592**	148,879

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2010	At 30 June 2010	**At 31 December 2010**	At 30 June 2010	**At 31 December 2010**	At 30 June 2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**589,571**	403,758	**159,620**	148,130	**749,191**	551,888
Addition to non-current segment assets during the six months ended 31 December 2010/2009	**93,784**	18,223	**26,876**	1,339	**120,660**	19,562
Reportable segment liabilities	**133,355**	94,557	**62,751**	60,619	**196,106**	155,176

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

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Reportable segment revenue	**423,296**	343,663
Consolidated turnover	**423,296**	343,663

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit		
Reportable segment profit	**205,592**	148,879
Unallocated head office and corporate expenses	**(7,773)**	(19,586)
Consolidated profit before taxation	**197,819**	129,293

	At 31 December 2010	At 30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**749,191**	551,888
Unallocated head office and corporate assets	**1,328,166**	1,371,996
Consolidated total assets	**2,077,357**	1,923,884

	At 31 December 2010	At 30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Liabilities		
Reportable segment liabilities	**196,106**	155,176
Unallocated head office and corporate liabilities	**37,826**	35,304
Consolidated total liabilities	**233,932**	190,480

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis:

	At 31 December 2010 *RMB'000* (Unaudited)	At 30 June 2010 *RMB'000* (Audited)
Neither past due nor impaired (current)	**354,900**	278,688
Less than 1 month past due	**338**	664
1 to 3 months past due	**1,840**	760
More than 3 months but less than 12 months past due	**985**	—
Trade receivables, net of allowance for doubtful debts	**358,063**	280,112
Prepayments and other receivables	**4,343**	4,157
	362,406	284,269

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

	At 31 December 2010 *RMB'000* (Unaudited)	At 30 June 2010 *RMB'000* (Audited)
Due within 1 month or on demand	**12,427**	10,131
Due after 1 month but within 3 months	**90,255**	61,074
Due after 3 months but within 6 months	**45,552**	44,821
Total trade payables	**148,234**	116,026
Other payables and accruals	**48,420**	43,428
	196,654	159,454

11. DIVIDENDS

Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 December 2010 *RMB'000* (Unaudited)	2009 *RMB'000* (Audited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK$5 cents (equivalent to approximately RMB4.36 cents) per ordinary share (six months ended 31 December 2009: Nil (audited))	**45,675**	—

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The industry of industrial automation instrument in China sustained rapid growth in tandem with improvements and development in the nation's macro-economic conditions. The Group held an optimistic view on the prospect of the said industry on the basis of the tremendous demand for industrial automation products in China. Funded by the proceeds raised from the placing and the public offer in 2009, the 2nd and 3rd phases of the Group's expansion developments were vigorously underway, to provide additional production capacity in meeting the enormous market demand.

Despite delay in delivery of certain high-end equipment for at earlier stages of the 2nd phase development, the 2nd phase development is expected to complete by the end of March 2011 as originally scheduled, and the Group's capacity is expected to be doubled, year-on-year, around June 2011. The 3rd phase development was progressing as scheduled, as the management placed orders for equipment ahead of its original schedule to avoid further delays. Based on management's plan, trial production of the 3rd phase development is scheduled to commence from May to June 2011, to be followed by gradual large-scale production around June 2012 and production at full capacity around 2013. The 2nd phase and 3rd phase developments will provide the driving force for the Group's rapid growth.

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 RMB350,256,000 (six months ended 31 December 2009: RMB269,017,000), representing approximately 82.7% (six months ended 31 December 2009: 78.3%) of the Group's total turnover. The Group continued to focus on the 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 RMB178,530,000 (six months ended 31 December 2009: RMB120,894,000), representing an increase of about 47.7% as compared to that of the corresponding period in 2009.

Horological instruments

Sales of horological instruments amounted to RMB73,040,000 (six months ended 31 December 2009: RMB74,646,000), which accounts for approximately 17.3% (six months ended 31 December 2009: 21.7%) of the Group's total turnover during the Period. This segment recorded reportable segment profit of RMB27,062,000, as compared to RMB27,985,000 in the corresponding period in 2009.

Manufacturing Facilities

The Group has large-scale production facilities and is expanding its production capacity to enhance its competitive strength.

The utilization rate of the existing manufacturing facility (1st phase development) of the Group 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) 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 during 2010 and is expected to reach its full-scale production capacity around June 2011. The Directors believe 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 in progress and is expected to be completed around June 2011, and is expected to reach its full-scale production capacity in 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

The Group holds an optimistic outlook on the future of the industry, in light of strong support from numerous government policies. The "Internet of Things" has been included as one of the development projects for the 12th Five Year Plan of the Central Government. Currently, sensing signals can only be sent through wire transmission, which is geographically restricted. Such limitation presents a major hurdle to the integration of large-scale systems and the execution of real-time monitoring. The Group has been engaging in the research and development of wireless transmission since earlier years and has been making encouraging progress in this area. Riding on the latest trend of the "Internet of Things", the Group will strive to present the first new-generation industrial automated quality control system in China.

"Domestic procurement" is another policy favourable to the Company. During the financial crisis in 2008 and 2009, the Central Government announced policies to support domestic-made mission critical equipment. Subsequently, further policy measures were adopted to encourage the use of domestic-made equipment. The products of the Company have been targeted for the medium- to high-end market and are qualified as import substitutes. As such, the trend of purchasing domestic-made equipment is very favourable to the Group's development.

Financial Review

Turnover

Turnover of the Group amounted to RMB423,296,000 for the Period (six months ended 31 December 2009: RMB343,663,000), representing an increase of about 23.2% as compared to the corresponding period last year. It is attributable to the additional sales contributed by the additional production capacity from the 2nd phase development.

Gross profit and operating profit

During the Period, the Group's gross profit and operating profit amounted to RMB211,391,000 (six months ended 31 December 2009: RMB158,834,000) and RMB197,819,000 (six months ended 31 December 2009: RMB139,214,000) respectively. The increase is attributable to the additional production capacity contributed by the 2nd phase development.

The segment gross profit margin of automation instrument and technology products segment slightly increased from 48.8% for the six months ended 31 December 2009 to 52.5% for the Period. It was mainly due to the effect of changes in product mix while the average selling price for individual products remained relatively stable over the periods.

The segment gross profit margin of horological instruments segment slightly increased from 37.0% for the six months ended 31 December 2009 to 37.7% for the Period. It was because average unit selling price was slightly increased from RMB1.73 for the six months ended 31 December 2009 to RMB1.78 for the Period. The Group will adjust the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

During the Period, the Group's profit from operations increased by 42.1% as compared to the corresponding period last year.

Net profit

The profit attributable to equity shareholders of the Company for the Period was RMB167,129,000, as compared to that of RMB107,531,000 in the corresponding period in 2009. It was mainly attributable to the factors as mentioned above and the reduction of finance cost by RMB9,921,000 as all bank loans of the Group have been repaid during 2009.

Earnings per share

The basic and diluted earnings per share for the Period was RMB16.11 cents (six months ended 31 December 2009: RMB13.04 cents) and RMB16.11 cents (six months ended 31 December 2009: RMB13.03 cents) respectively.

Liquidity and Financial Resources

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

As at 31 December 2010, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB1,278,256,000 (30 June 2010: RMB1,369,617,000), RMB1,469,231,000 (30 June 2010: RMB1,519,834,000) and RMB1,861,391,000 (30 June 2010: RMB1,751,370,000) respectively.

Borrowings

As at 31 December 2010, the Group had no bank borrowings (30 June 2010: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2010 increased by RMB110,021,000 to RMB1,843,425,000 (30 June 2010: RMB1,733,404,000).

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 2010 was approximately 0.1 (30 June 2010: approximately 0.1).

Use of Proceeds from the Placing and the Public Offer

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), and the net proceeds from the placing and the public offer 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 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 31 December 2010, the Group has utilized the Net Proceeds as follows:

1. approximately HK$115 million were used for establishment of production facilities for new products of the Group;
2. approximately HK$11 million were used for research and development efforts;
3. approximately HK$6 million were used for network development and sales support services; and
4. approximately HK$1 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.

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 2010, the Group employed a total of 1,257 employees (30 June 2010: 1,233). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to RMB20,432,000 (six months ended 31 December 2009: RMB15,072,000). 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 2010, 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 above, the Group had no future plans for material investments as at 31 December 2010.

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 primarily in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi Yuan 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 2010, the Group had capital expenditure contracted for but not provided in the interim financial report and capital expenditure authorized but not contracted for in the interim financial report amounted to RMB121,633,000 and RMB439,418,000 respectively.

Contingent Liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2010 (six months ended 31 December 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 during the Period.

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 (the "Listing Rules") during the Period, 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 the vesting of 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 during the Period.

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") since 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") since 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 with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial information. They considered that the unaudited interim financial information of the Group for the six months ended 31 December 2010 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL 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 interim financial report of the Company for the six months ended 31 December 2010 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Wong Fun Chung
Chairman

Hong Kong, 28 February 2011

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.