Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2011

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2011 (the "Period").

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2011
(Expressed in Renminbi Yuan)

		Six months ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3	**496,790**	423,296
Cost of sales		**(263,656)**	(211,905)
Gross profit		**233,134**	211,391
Other revenue	4	**5,649**	8,216
Other net (loss)/income	4	**(2,460)**	1,346
Distribution costs		**(4,344)**	(3,152)
Administrative expenses		**(24,084)**	(19,982)
Profit from operations		**207,895**	197,819
Finance costs	5(a)	**—**	—
Profit before taxation	5	**207,895**	197,819
Income tax	6	**(33,241)**	(30,690)
Profit for the period attributable to equity shareholders of the Company		**174,654**	167,129
Earnings per share (RMB cents)			
— basic	7	**16.83**	16.11
— diluted		**16.83**	16.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2011
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity shareholders of the Company	**174,654**	167,129
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(7,850)**	(11,433)
Total comprehensive income for the period attributable to equity shareholders of the Company	**166,804**	155,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2011
(Expressed in Renminbi Yuan)

	Note	At 31 December 2011 RMB'000 (Unaudited)	At 30 June 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**268,420**	265,441
Construction in progress		**255,864**	180,877
Interests in leasehold land held for own use under operating leases		**9,975**	10,088
Prepayments for construction costs		**4,454**	4,455
Deposits for the purchase of property, plant and equipment		**52,692**	57,665
Deferred tax assets		**2,466**	2,466
		593,871	520,992
Current assets			
Inventories		**105,911**	50,546
Trade and other receivables	9	**518,923**	417,129
Cash and cash equivalents		**1,160,852**	1,257,031
		1,785,686	1,724,706
Current liabilities			
Trade and other payables	10	**211,825**	196,250
Current taxation		**15,358**	18,050
Provision for warranty		**933**	500
		228,116	214,800
Net current assets		**1,557,570**	1,509,906
Total assets less current liabilities		**2,151,441**	2,030,898
Non-current liabilities			
Deferred tax liabilities		**18,022**	18,022
		18,022	18,022
NET ASSETS		**2,133,419**	2,012,876
CAPITAL AND RESERVES			
Share capital		**91,360**	91,360
Reserves		**2,042,059**	1,921,516
TOTAL EQUITY		**2,133,419**	2,012,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2011
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital	**Share premium**	**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*
Balance at 1 July 2010	91,360	1,050,786	70,216	27,365	2,982	(2,576)	493,271	1,733,404
Changes in equity for the year ended 30 June 2011:								
Profit for the year	—	—	—	—	—	—	304,393	304,393
Other comprehensive income	—	—	—	—	—	(5,504)	—	(5,504)
Total comprehensive income	—	—	—	—	—	(5,504)	304,393	298,889
Dividend declared and paid	—	(45,256)	—	—	—	—	—	(45,256)
Equity settled share-based payments	—	—	—	25,839	—	—	—	25,839
Appropriation to surplus reserve	—	—	60,125	—	—	—	(60,125)	—
Balance at 30 June 2011 and 1 July 2011	**91,360**	**1,005,530**	**130,341**	**53,204**	**2,982**	**(8,080)**	**737,539**	**2,012,876**
Changes in equity for the six months ended 31 December 2011:								
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**174,654**	**174,654**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(7,850)**	**—**	**(7,850)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(7,850)**	**174,654**	**166,804**
Dividend declared and approved in respect of the previous year	**—**	**(46,261)**	**—**	**—**	**—**	**—**	**—**	**(46,261)**
Appropriation to surplus reserve	**—**	**—**	**12,957**	**—**	**—**	**—**	**(12,957)**	**—**
Balance at 31 December 2011	**91,360**	**959,269**	**143,298**	**53,204**	**2,982**	**(15,930)**	**899,236**	**2,133,419**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 December 2011
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash generated from operations	**64,493**	134,982
PRC income tax paid	**(35,933)**	(24,787)
Net cash generated from operating activities	**28,560**	110,195
Net cash used in investing activities	**(78,480)**	(155,881)
Net cash used in financing activities	**(46,259)**	(45,675)
Net decrease in cash and cash equivalents	**(96,179)**	(91,361)
Cash and cash equivalents at beginning of the period	**1,257,031**	1,369,617
Cash and cash equivalents at end of the period	**1,160,852**	1,278,256

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 2012.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed a disclaimer of opinion on those financial statements in their report dated 29 October 2011.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Improvements to HKFRSs (2009)
- Improvements to HKFRSs (2010)
- HK (IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

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

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

3. TURNOVER

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

Turnover represents the sales value of goods sold less returns, discounts, 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	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	**432,848**	350,256
Sales of horological instruments	**63,942**	73,040
	496,790	423,296

During the six months ended 31 December 2011, there was no customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2010: Nil (unaudited)).

4. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	**5,649**	8,216
Other net (loss)/income		
Net exchange (loss)/gain	**(2,460)**	1,346

5. PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs	**—**	—
(b) Staff costs:		
Contributions to defined contribution retirement plans	**855**	456
Salaries, wages and other benefits	**24,310**	19,976
	25,165	20,432

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	
		2011	2010
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(c)	Other items:		
	Depreciation	**11,137**	6,097
	Amortisation	**113**	113
	Research and development costs	**4,486**	2,646
	Increase in provision for warranty	**433**	440
	Auditors' remuneration	**—**	820
	Operating lease charges:		
	minimum lease payments — properties	**867**	925
	Cost of inventories (note)	**263,656**	211,905

Note: Cost of inventories includes RMB20,308,000 (unaudited) (six months ended 31 December 2010: RMB14,405,000 (unaudited)) 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	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Provision for the period	**33,241**	30,690

(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 2010: Nil (unaudited)).

(iii) Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise ("ANTE") that meets the conditions according to the *Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises* issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. On 12 December 2008, Fujian Wide Plus Precision Instrument Co., Ltd. ("Fujian Wide Plus") was recognised as an ANTE as approved by the relevant authorities.

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

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 RMB174,654,000 (unaudited) (six months ended 31 December 2010: RMB167,129,000 (unaudited)) and the weighted average of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2010: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period, calculated as follow:

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Net profit (basic and diluted)	**174,654**	167,129

	Six months ended 31 December	
	2011	2010
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the period	**1,037,500**	1,037,500
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500

(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 2011 of RMB174,654,000 (unaudited) (six months ended 31 December 2010: RMB167,129,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options, assuming they were exercised during the Period. The share options had no dilutive effect as the average market price of ordinary shares during the period did not exceed the exercise price of the options.

	Six months ended 31 December	
	2011	2010
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,037,500

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 2011 and 2010 is set out below.

For the six months ended 31 December	**Automation instrument and technology products**		**Horological instruments**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**432,848**	350,256	**63,942**	73,040	**496,790**	423,296
Reportable segment profit (adjusted profit from operations)	**200,885**	178,530	**23,419**	27,062	**224,304**	205,592

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2011	At 30 June 2011	**At 31 December 2011**	At 30 June 2011	**At 31 December 2011**	At 30 June 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**1,006,187**	737,751	**145,157**	182,317	**1,151,344**	920,068
Addition to non-current segment assets during the six months ended 31 December 2011/year	**70,524**	217,189	**13,605**	46,801	**84,129**	263,990
Reportable segment liabilities	**125,991**	106,316	**36,008**	33,203	**161,999**	139,519

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

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**496,790**	423,296
Consolidated turnover	**496,790**	423,296

	Six months ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit	**224,304**	205,592
Unallocated head office and corporate expenses	**(16,409)**	(7,773)
Consolidated profit before taxation	**207,895**	197,819

	At 31 December 2011	At 30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**1,151,344**	920,068
Unallocated head office and corporate assets	**1,228,213**	1,325,630
Consolidated total assets	**2,379,557**	2,245,698

	At 31 December 2011 *RMB'000* (Unaudited)	At 30 June 2011 *RMB'000* (Audited)
Liabilities		
Reportable segment liabilities	**161,999**	139,519
Unallocated head office and corporate liabilities	**84,139**	93,303
Consolidated total liabilities	**246,138**	232,822

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 2011 *RMB'000* (Unaudited)	At 30 June 2011 *RMB'000* (Audited)
Neither past due nor impaired (current)	**511,241**	412,445
Less than 1 month past due	**—**	1
1 to 3 months past due	**667**	345
More than 3 months but less than 12 months past due	**66**	—
Trade receivables, net of allowance for doubtful debts	**511,974**	412,791
Prepayments and other receivables	**6,949**	4,338
	518,923	417,129

10. TRADE AND OTHER PAYABLES

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

	At 31 December 2011 *RMB'000* (Unaudited)	At 30 June 2011 *RMB'000* (Audited)
Due within 1 month or on demand	**4,974**	3,643
Due after 1 month but within 3 months	**89,226**	78,575
Due after 3 months but within 6 months	**66,866**	56,801
Total trade payables	**161,066**	139,019
Other payables and accruals	**50,759**	57,231
	211,825	196,250

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	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK$5.5 cents per ordinary share (six months ended 31 December 2011: HK$5 cents (unaudited) per ordinary share)	**46,261**	45,675

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the second half of 2011, the Group encountered an evident macroeconomic slowdown caused by the Eurozone crisis and domestic credit crunch, and more small and medium enterprises ("SMEs") were running into difficulties. Given the effects of the uncertainties above, the management was more cautious and mindful about the Group's operations.

Despite the macroeconomic slowdown during the Period, in view of the Group's industrial development as well as its favorable product positioning, the Group's industrial automation instrument business, by and large, was conducted as planned, the additional production capacity of 2nd phase development of new plant was reflected in production and sales performance of industrial automation instrument products. As evidenced by strong performance of the Group's industrial automation instrument business during the Period, such business was basically immune to the macroeconomic environment. However, the Group's horological instruments business which was relatively sensitive to economic cycles, experienced a rapid slowdown from October to December 2011 when macro economy was slowing down. As there were uncertainties in demand for watch movements as well as in macro economy, the Group holds mindful view on the expansion plan of watch movement. As at the end of 2011, infrastructure development at the 3rd phase development of the new plant was in progress and is expected to be completed in the first half of 2012.

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 RMB432,848,000 (six months ended 31 December 2010: RMB350,256,000), representing approximately 87.1% (six months ended 31 December 2010: 82.7%) 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 RMB200,885,000 (six months ended 31 December 2010: RMB178,530,000), representing an increase of about 12.5% as compared to that of the corresponding period in 2010.

Horological instruments

Sales of horological instruments amounted to RMB63,942,000 (six months ended 31 December 2010: RMB73,040,000), which accounts for approximately 12.9% (six months ended 31 December 2010: 17.3%) of the Group's total turnover during the Period. This segment recorded reportable segment profit of RMB23,419,000, as compared to RMB27,062,000 in the corresponding period in 2010.

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 is in the process of expanding and upgrading 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 in 2010 and reached its full-scale production capacity in June 2011; accordingly, the Group's production capacity of its existing products has been doubled as scheduled.

The 3rd phase development is solely for actuators, one of the Group's new products. The construction is in progress and is expected to complete in the first half of 2012, and is expected to reach its full-scale production capacity in 2013. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

Prospect

Due to the uncertainty in macroeconomic outlook, the management will be more conservative, instead of aggressive, about the Group's business management as well as production expansion plan. In response to the rapid slowdown in demand for watch movement at the end of 2011, the management has reconsidered the expansion plan of horological instruments in a timely manner and the development of the Group's horological instruments business will be kept at a conservative pace in the short term.

For the Group's industrial automation instrument business, which was immune to the macroeconomic slowdown during the Period, its performance might be ultimately affected if there is no sign of improvement in external and domestic macro economies. In view of the difficulties SMEs are facing and the chain reaction as a result thereof, the management is well prepared to overcome challenges ahead by shifting the Group's business focus to end-users, whose businesses are relatively immune to economic cycles and credit crunch. Market instability also casts uncertainty on the 3rd phase development for actuators which involves substantial investment and its development pace should be kept cautious and mindful for preventing any potential losses.

Financial Review

Turnover

Turnover of the Group amounted to RMB496,790,000 for the Period (six months ended 31 December 2010: RMB423,296,000), representing an increase of about 17.4% as compared to the corresponding period last year. The increase is attributable to the additional production capacity contributed by the 2nd phase development.

Gross profit and operating profit

During the Period, the Group's gross profit and profit from operations amounted to RMB233,134,000 (six months ended 31 December 2010: RMB211,391,000) and RMB207,895,000 (six months ended 31 December 2010: RMB197,819,000) 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 decreased from 52.5% for the six months ended 31 December 2010 to 48.3% for the Period. It was mainly due to the price cut of some products in early 2011 while the average selling price for individual products remained relatively stable after the price cut.

The segment gross profit margin of horological instruments segment slightly decreased from 37.7% for the six months ended 31 December 2010 to 37.4% for the Period while the average unit selling price was slightly increased from RMB1.78 for the six months ended 31 December 2010 to RMB1.86 for the Period. The Group adjusts 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 5.1% as compared to the corresponding period last year.

Net profit

The profit attributable to equity shareholders of the Company for the Period was RMB174,654,000, as compared to that of RMB167,129,000 in the corresponding period in 2010. It was mainly attributable to the factors as mentioned above.

Earnings per share

The basic and diluted earnings per share for the Period was RMB16.83 cents (six months ended 31 December 2010: RMB16.11 cents) and RMB16.83 cents (six months ended 31 December 2010: RMB16.11 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 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB1,160,852,000 (30 June 2011: RMB1,257,031,000), RMB1,557,570,000 (30 June 2011: RMB1,509,906,000) and RMB2,151,441,000 (30 June 2011: RMB2,030,898,000) respectively.

Borrowings

As at 31 December 2011, the Group had no bank borrowings (30 June 2011: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2011 increased by RMB120,543,000 to RMB2,133,419,000 (30 June 2011: RMB2,012,876,000).

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 2011 was approximately 0.1 (30 June 2011: 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 2011, the Group has utilized the Net Proceeds as follows:

1. Approximately HK$378 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$27 million were used for research and development efforts;

3. Approximately HK$23 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 2011, the Group employed a total of 1,349 employees (30 June 2011: 1,343). 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 RMB25,165,000 (six months ended 31 December 2010: RMB20,432,000). 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 was granted, exercised, cancelled or lapsed and there were 39,000,000 share options outstanding under the Scheme.

Charge on Assets

As at 31 December 2011, 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 2011.

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 2011, 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 RMB74,852,000 and RMB89,606,000 respectively.

Contingent Liabilities

As at 31 December 2011, 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 2011 (six months ended 31 December 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 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 the Directors. The Company has made specific enquiries of all the Directors and all the 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 approves the remuneration proposal of all the Directors and senior management of the Company with reference to the Board's corporate goals and objectives.

NOMINATION COMMITTEE

The Group established a nomination committee (the "Nomination Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors. The Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor 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, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor (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 2011 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 2011 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
China High Precision Automation Group Limited
Wong Fun Chung
Chairman

Hong Kong, 28 February 2012

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