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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 2014

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 (collectively, the "Group") for the six months ended 31 December 2014 (the "Period").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2014
(Expressed in Renminbi Yuan)

		Six months ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3	**172,251**	221,117
Cost of sales		**(160,075)**	(200,419)
Gross profit		**12,176**	20,698
Other revenue	4	**4,263**	3,802
Other gain and loss	4	**192**	5,286
Distribution costs		**(3,011)**	(2,761)
Administrative expenses		**(23,995)**	(20,980)
(Loss)/Profit from operations		**(10,375)**	6,045
Finance costs	5(a)	**—**	—
(Loss)/Profit before taxation	5	**(10,375)**	6,045
Income tax	6	**(46)**	(2,752)
(Loss)/Profit for the period attributable to equity shareholders of the Company		**(10,421)**	3,293
(Loss)/Earnings per share *(RMB cents)*	7		
— basic		**(1.00)**	0.32
— diluted		**(1.00)**	0.32

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to equity shareholders of the Company	**(10,421)**	3,293
Other comprehensive expenses for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(309)**	(6,022)
Total comprehensive loss for the period attributable to equity shareholders of the Company	**(10,730)**	(2,729)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Renminbi Yuan)

	Note	**At 31 December 2014** ***RMB'000*** **(Unaudited)**	At 30 June 2014 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**599,895**	623,929
Investment properties		**59,248**	59,248
Construction in progress		**104**	—
Interests in leasehold land held for own use under operating leases		**9,296**	9,409
Deposits for the purchase of property, plant and equipment		**978**	1,289
Deferred tax assets		**2,440**	2,463
		671,961	696,338
Current assets			
Inventories		**74,941**	56,199
Trade and other receivables	9	**196,317**	209,454
Cash and cash equivalents		**1,398,120**	1,400,236
		1,669,378	1,665,889
Current liabilities			
Trade and other payables	10	**89,801**	99,831
Current taxation		**—**	—
Provision for warranties		**1,411**	1,562
		91,212	101,393
Net current assets		**1,578,166**	1,564,496
Total assets less current liabilities		**2,250,127**	2,260,834
Non-current liabilities			
Deferred tax liabilities		**18,055**	18,032
		18,055	18,032
NET ASSETS		**2,232,072**	2,242,802
CAPITAL AND RESERVES			
Share capital		**91,360**	91,360
Reserves		**2,140,712**	2,151,442
TOTAL EQUITY		**2,232,072**	2,242,802

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014 — unaudited

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Surplus reserve** *RMB'000*	**Share-based payment reserve** *RMB'000*	**Other reserve** *RMB'000*	**Revaluation reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 July 2013	91,360	941,077	176,378	88,260	2,982	—	(27,011)	986,972	2,260,018
Changes in equity for the year ended 30 June 2014:									
Loss for the year	—	—	—	—	—	—	—	(19,505)	(19,505)
Other comprehensive income/(expenses)	—	—	—	—	—	2,986	(697)	—	2,289
Total comprehensive income/(expenses)	—	—	—	—	—	2,986	(697)	(19,505)	(17,216)
Appropriation to surplus reserve	—	—	5,412	—	—	—	—	(5,412)	—
Balance at 30 June 2014 and 1 July 2014	**91,360**	**941,077**	**181,790**	**88,260**	**2,982**	**2,986**	**(27,708)**	**962,055**	**2,242,802**
Changes in equity for the six months ended 31 December 2014:									
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,421)**	**(10,421)**
Other comprehensive expenses	**—**	**—**	**—**	**—**	**—**	**—**	**(309)**	**—**	**(309)**
Total comprehensive expenses	**—**	**—**	**—**	**—**	**—**	**—**	**(309)**	**(10,421)**	**(10,730)**
Balance at 31 December 2014	**91,360**	**941,077**	**181,790**	**88,260**	**2,982**	**2,986**	**(28,017)**	**951,634**	**2,232,072**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2014

(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash (used in)/generated from operations	**(2,821)**	51,980
PRC income tax paid	**—**	(1,414)
Net cash (used in)/generated from operating activities	**(2,821)**	50,566
Net cash generated from/(used in) investing activities	**705**	(13,142)
Net cash used in financing activities	**—**	—
Net (decrease)/increase in cash and cash equivalents	**(2,116)**	37,424
Cash and cash equivalents at beginning of the period	**1,400,236**	1,371,402
Cash and cash equivalents at end of the period	**1,398,120**	1,408,826

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

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 27 February 2015.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of 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 2014 annual financial statements. The condensed consolidated interim financial information 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 2014 that is included in the interim financial information 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 2014 are available from the Company's registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 26 September 2014.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new standards, amendments and interpretations 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:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

These developments have had no material impact on the contents of these financial statements.

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

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	**137,490**	181,913
Sales of horological instruments	**34,761**	39,204
	172,251	221,117

During the six months ended 31 December 2014, there was 1 customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2013: 1 (unaudited)).

4. OTHER REVENUE AND OTHER GAIN AND LOSS

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	**2,665**	2,433
Share of loss of a jointly controlled entity	**—**	(329)
Gain on disposal of a jointly controlled entity	**—**	1,115
Reversal of provision for warranties	**151**	427
Rental income	**1,447**	156
	4,263	3,802
Other gain and loss		
Net foreign exchange income	**192**	5,286

5. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs	**—**	—
(b) Staff costs:		
Contributions to defined contribution retirement plans	**939**	1,019
Salaries, wages and other benefits	**23,990**	23,888
	24,929	24,907

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

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HK$25,000 which was increased to HK$30,000 since 1 June 2014) 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(c) Other items:		
Depreciation	**25,889**	26,404
Amortisation	**113**	113
Research and development costs	**3,507**	2,226
Operating lease charges:		
minimum lease payments — properties	**1,327**	676
Cost of inventories *(note)*	**160,075**	200,419

Note: Cost of inventories includes RMB38,164,000 (unaudited) (six months ended 31 December 2013: RMB39,784,000 (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	
	2014	2013
	RMB'000	***RMB'000***
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Current period	**—**	2,752
Deferred tax		
Current period	**46**	—
	46	2,752

(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 2013: 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. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB10,421,000 (unaudited) (six months ended 31 December 2013: profit of RMB3,293,000 (unaudited)) and the weighted average of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2013: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period, calculated as follows:

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Net (loss)/profit (basic and diluted)	**(10,421)**	3,293

	Six months ended 31 December	
	2014	2013
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning and end of the period	**1,037,500**	1,037,500
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the six months ended 31 December 2014 of RMB10,421,000 (unaudited) (six months ended 31 December 2013: profit of RMB3,293,000 (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. For the six months ended 31 December 2014, 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	
	2014	2013
	'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 deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, provision for warranties and current tax payable attributable to the individual segments.

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2014 and 2013 is set out below.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**137,490**	181,913	**34,761**	39,204	**172,251**	221,117
Reportable segment profit/(loss) (adjusted profit/(loss) from operations)	**13,159**	22,491	**(7,349)**	(6,352)	**5,810**	16,139

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2014	At 30 June 2014	**At 31 December 2014**	At 30 June 2014	**At 31 December 2014**	At 30 June 2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**722,517**	703,015	**153,202**	190,045	**875,719**	893,060
Addition to non-current segment assets during the six months ended 31 December 2014/year	**685**	59,645	**1,121**	12,802	**1,806**	72,447
Reportable segment liabilities	**43,871**	42,489	**7,086**	13,259	**50,957**	55,748

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

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**172,251**	221,117
Consolidated turnover	**172,251**	221,117

	Six months ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit	**5,810**	16,139
Unallocated head office and corporate expenses	**(16,185)**	(10,094)
Consolidated (loss)/profit before taxation	**(10,375)**	6,045

	At 31 December 2014 *RMB'000* (Unaudited)	At 30 June 2014 *RMB'000* (Audited)
Assets		
Reportable segment assets	**875,719**	893,060
Unallocated head office and corporate assets	**1,465,620**	1,469,167
Consolidated total assets	**2,341,339**	2,362,227

	At 31 December 2014 *RMB'000* (Unaudited)	At 30 June 2014 *RMB'000* (Audited)
Liabilities		
Reportable segment liabilities	**50,957**	55,748
Unallocated head office and corporate liabilities	**58,310**	63,677
Consolidated total liabilities	**109,267**	119,425

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 2014 *RMB'000* (Unaudited)	At 30 June 2014 *RMB'000* (Audited)
Neither past due nor impaired (current)	**195,109**	207,959
Less than 1 month past due	**—**	—
Trade receivables, net of allowance for doubtful debts	**195,109**	207,959
Prepayments and other receivables	**1,208**	1,495
	196,317	209,454

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

10. TRADE AND OTHER PAYABLES

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

	At 31 December 2014 RMB'000 (Unaudited)	At 30 June 2014 RMB'000 (Audited)
Due within 1 month or on demand	**569**	470
Due after 1 month but within 3 months	**23,820**	24,720
Due after 3 months but within 6 months	**25,158**	28,996
Total trade payables	**49,547**	54,186
Other payables and accruals	**40,254**	45,645
	89,801	99,831

The credit periods granted by various suppliers are generally 120 days.

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 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2013: Nil (unaudited) per ordinary share)	**—**	—

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

Up to 31 December 2014, the growth of China's economic indicators has been decelerating notably. According to the National Bureau of Statistics of China, the gross domestic product (GDP) grew by 7.4% year on year in 2014, exposing us to an even more perplexing economic landscape.

Operating results of the Group has also been affected by general economic environment, dragging down our sales volume and profit. Since industrial automation instruments are mainly applied in infrastructure and related industries, such as iron and steel, and the lingering overcapacity of those industries has prolonged the period of adjustment for business of industrial automation instruments.

As market condition has become more intricate, the Group will address the changes in current business environment by adjusting our product mix. The Group aims at enhancing the technological level of our products as well as our reputation among peers through undertaking the project on technological research and industrialization development of high precision silicon pressure transducers and its research and development of middle-end watch movements, paying more attention to the industries encouraged by China's government policies as well as putting more efforts on marketing.

Save as disclosed above, there was no important event affecting the Group which has occurred since 31 December 2014 up to the date of this announcement.

Segment Information

The Group has the following two business segments.

Automation instrument and technology products

During the Period, sales of high precision industrial automation instrument and technology products amounted to RMB137,490,000 (six months ended 31 December 2013: RMB181,913,000), representing approximately 79.8% (six months ended 31 December 2013: 82.3%) 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 RMB13,159,000 (six months ended 31 December 2013: RMB22,491,000), representing a decrease of about 41.5% as compared to that of the corresponding period in 2013 due to the decrease in segment turnover.

Horological instruments

Sales of horological instruments amounted to RMB34,761,000 (six months ended 31 December 2013: RMB39,204,000), which accounts for approximately 20.2% (six months ended 31 December 2013: 17.7%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of RMB7,349,000 as compared to a loss of RMB6,352,000 in the corresponding period in 2013 due to the decrease in segment turnover.

Manufacturing Facilities

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

As 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 meters.

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 was completed before 30 June 2012, and is expected to reach its full-scale production capacity in 2016. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

Prospect

The Company is a key corporation in automation instruments industry in China. Industries, such as petroleum, chemical, thermal power, nuclear power, metallurgy and cement, are traditional users of automation control systems and devices manufacturing industry. In addition, China's government policies have vigorously nurtured emerging strategic industries, and remarkably developed new energy, new material, energy saving and environment protection, biopharmaceutics, information network and high-end manufacturing industries, with aggressive promotion of new energy automobiles, and integration of telecom, radio and TV and internet networks as well as research, development and application of the Internet of Things. This has brought about new opportunities for development of the industrial automation control systems and devices manufacturing industry.

With intensified transformation of China's economy as well as further implementation of the "Plan of Action for Accelerating and Promoting Industry Development of Transducers and Intelligent Instruments" promulgated by Ministry of Industry and Information Technology of the PRC, Ministry of Science and Technology of the PRC, Ministry of Finance of the PRC and Standardization Administration of the PRC, China has been supporting and promoting domestic production of transducers and intelligent instruments. In view of this, the Group's management remains optimistic about the Group's operation and the development of its business.

Financial Review

Turnover

Turnover of the Group amounted to RMB172,251,000 for the Period (six months ended 31 December 2013: RMB221,117,000), representing a decrease of about 22.1% as compared to that of the corresponding period last year. The decrease is mainly due to the adverse effect of the sluggish global economy which causes decrease in demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to RMB12,176,000 (six months ended 31 December 2013: RMB20,698,000) and RMB10,375,000 (six months ended 31 December 2013: profit of RMB6,045,000) respectively. The loss from operations is mainly due to the decrease in turnover.

The segment gross profit margin of automation instrument and technology products segment slightly decreased from 14.4% for the six months ended 31 December 2013 to 14.3% for the Period. It was comparable to that of the same period last year.

The segment of horological instruments suffered a gross loss for the Period although the average unit selling price slightly increased from RMB1.24 for the six months ended 31 December 2013 to RMB1.33 for the Period. The increase in loss is mainly due to the decrease in turnover. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

Accordingly, during the Period, the Group's suffered a loss from operations as compared to that of a profit for the corresponding period last year.

Net loss

The loss attributable to equity shareholders of the Company for the Period was RMB10,421,000, as compared to a profit of RMB3,293,000 in the corresponding period in 2013. It was mainly due to the factors as mentioned above.

Loss per share

The basic and diluted loss per share for the Period was RMB1.00 cents (six months ended 31 December 2013: earnings per share of RMB0.32 cents) and RMB1.00 cents (six months ended 31 December 2013: earnings per share of RMB0.32 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 2014, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB1,398,120,000 (30 June 2014: RMB1,400,236,000), RMB1,578,166,000 (30 June 2014: RMB1,564,496,000) and RMB2,250,127,000 (30 June 2014: RMB2,260,834,000) respectively.

Borrowings

As at 31 December 2014, the Group had no bank borrowings (30 June 2014: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2014 decreased by RMB10,730,000 to RMB2,232,072,000 (30 June 2014: RMB2,242,802,000).

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 2014 was approximately 0.05 (30 June 2014: approximately 0.05).

Use of Proceeds from the Placing and the Public Offer

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 2014, the Group has utilized the Net Proceeds as follows:

1. Approximately HK$651 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$96 million were used for research and development efforts;

3. Approximately HK$41 million were used for network development and sales support services; and

4. Approximately HK$2 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 2014, the Group employed a total of 950 employees (30 June 2014: 1,110). 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, the employment cost (including Directors' emoluments) amounted to RMB24,929,000 (six months ended 31 December 2013: RMB24,907,000).

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 2014, 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 page 14 to 15, the Group had no future plans for material investments as at 31 December 2014.

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 affect 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 2014, the Group had capital expenditure contracted for but not provided in the interim financial information and capital expenditure authorized but not contracted for in the interim financial information amounted to approximately RMB1,029,000 (30 June 2014: approximately RMB1,413,000) and approximately RMB57,643,000 (30 June 2014: approximately RMB57,958,000) respectively.

Contingent Liabilities

As at 31 December 2014, 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 2014 (six months ended 31 December 2013: 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 complied with most of the code provisions stipulated in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code Provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

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 ("Model Code") as the required standard for securities transactions by the Directors.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, 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 primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

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, inter alia, to review the structure, size, composition and diversity of the

Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. The Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor 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).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with management the unaudited interim results and the interim report of the Group for the six months ended 31 December 2014, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. They considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2014 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 2014 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

SUSPENSION OF TRADING

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

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

Hong Kong, 27 February 2015

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.