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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 2015

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 2015 (the “Period”).

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015

(Expressed in Renminbi Yuan)

		Six months ended	
		31 December	
		2015	2014
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Turnover</b>	3	<b>89,606</b>	172,251
Cost of sales		<u>(97,124)</u>	<u>(160,075)</u>
<b>Gross (loss)/profit</b>		<b>(7,518)</b>	12,176
Other income	4	4,434	4,263
Other (loss)/gain	4	(5,119)	192
Distribution costs		(2,519)	(3,011)
Administrative expenses		<u>(25,609)</u>	<u>(23,995)</u>
<b>Loss from operations</b>		<b>(36,331)</b>	(10,375)
Finance costs		<u>—</u>	<u>—</u>
<b>Loss before taxation</b>	5	<b>(36,331)</b>	(10,375)
Income tax	6	<u>(77)</u>	<u>(46)</u>
<b>Loss for the period attributable to equity shareholders of the Company</b>		<b><u>(36,408)</u></b>	<b><u>(10,421)</u></b>
<b>Loss per share (RMB cents)</b>			
— basic	7	<b>(3.51)</b>	(1.00)
— diluted		<b><u>(3.51)</u></b>	<b><u>(1.00)</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2015*

(Expressed in Renminbi Yuan)

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to equity shareholders of the Company</b>	<b>(36,408)</b>	<b>(10,421)</b>
<b>Other comprehensive income/(expenses) for the period</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	<u>5,118</u>	<u>(309)</u>
<b>Total comprehensive loss for the period attributable to equity shareholders of the Company</b>	<u><b>(31,290)</b></u>	<u><b>(10,730)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2015*

(Expressed in Renminbi Yuan)

		At 31 December 2015 <i>RMB'000</i> (Unaudited)	At 30 June 2015 <i>RMB'000</i> (Audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	548,275	572,626
Investment properties		56,154	56,154
Interests in leasehold land held for own use under operating leases		9,069	9,183
Deposits for the purchase of property, plant and equipment		78	278
Deferred tax assets		2,571	2,649
		<b>616,147</b>	640,890
<b>Current assets</b>			
Inventories		65,266	50,589
Trade and other receivables	10	102,464	128,807
Cash and cash equivalents		1,460,224	1,449,346
		<b>1,627,954</b>	1,628,742
<b>Current liabilities</b>			
Trade and other payables	11	76,424	70,123
Provision for warranties		860	1,400
		<b>77,284</b>	71,523
<b>Net current assets</b>		<b>1,550,670</b>	1,557,219
<b>Total assets less current liabilities</b>		<b>2,166,817</b>	2,198,109
<b>Non-current liabilities</b>			
Deferred tax liabilities		21,376	21,378
		<b>21,376</b>	21,378
<b>NET ASSETS</b>		<b>2,145,441</b>	2,176,731
<b>CAPITAL AND RESERVES</b>			
Share capital		91,360	91,360
Reserves		2,054,081	2,085,371
<b>TOTAL EQUITY</b>		<b>2,145,441</b>	2,176,731

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 — unaudited

(Expressed in Renminbi Yuan)

### Attributable to equity shareholders of the Company

	Share capital	Share premium	Surplus reserve	Share- based payment reserve	Other reserve	Revaluation reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 July 2014</b>	91,360	941,077	181,790	88,260	2,982	2,986	(27,708)	962,055	2,242,802
<b>Changes in equity for the year ended 30 June 2015:</b>									
Loss for the year	—	—	—	—	—	—	—	(65,750)	(65,750)
Other comprehensive expenses	—	—	—	—	—	—	(321)	—	(321)
Total comprehensive expenses	—	—	—	—	—	—	(321)	(65,750)	(66,071)
<b>Balance at 30 June 2015 and 1 July 2015</b>	<b>91,360</b>	<b>941,077</b>	<b>181,790</b>	<b>88,260</b>	<b>2,982</b>	<b>2,986</b>	<b>(28,029)</b>	<b>896,305</b>	<b>2,176,731</b>
<b>Changes in equity for the six months ended 31 December 2015:</b>									
Loss for the period	—	—	—	—	—	—	—	(36,408)	(36,408)
Other comprehensive income	—	—	—	—	—	—	5,118	—	5,118
Total comprehensive income/(expenses)	—	—	—	—	—	—	5,118	(36,408)	(31,290)
<b>Balance at 31 December 2015</b>	<b>91,360</b>	<b>941,077</b>	<b>181,790</b>	<b>88,260</b>	<b>2,982</b>	<b>2,986</b>	<b>(22,911)</b>	<b>859,897</b>	<b>2,145,441</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 31 December 2015*

(Expressed in Renminbi Yuan)

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cash generated from/(used in) operations	<b>8,620</b>	(2,821)
PRC income tax paid	<b>—</b>	<b>—</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>8,620</b>	(2,821)
<b>Net cash generated from investing activities</b>	<b>2,258</b>	705
<b>Net cash used in financing activities</b>	<b>—</b>	<b>—</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,878</b>	(2,116)
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,449,346</b>	1,400,236
<b>Cash and cash equivalents at end of the period</b>	<b>1,460,224</b>	1,398,120

# 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 26 February 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 2015 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 2015 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 29 September 2015.

## 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 may be relevant to the Group:

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10 and HKAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

The Group is in the process of making an assessment of what the impact of these new standards, amendments, and interpretations is expected to be in the period of initial application but is not yet in a position to state whether these new standards, amendments, and interpretations would have a significant impact on the Group’s results of operations and financial position.

### 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	65,920	137,490
Sales of horological instruments	23,686	34,761
	<u>89,606</u>	<u>172,251</u>

During the six months ended 31 December 2015, there was 1 customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2014: 1 (unaudited)).

### 4. OTHER INCOME AND OTHER (LOSS)/GAIN

	Six months ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Bank interest income	2,471	2,665
Reversal of provision for warranties	541	151
Rental income	1,422	1,447
	<u>4,434</u>	<u>4,263</u>
<b>Other (loss)/gain</b>		
Net foreign exchange (loss)/income	(5,107)	192
Loss on disposal of property, plant and equipment	(12)	—
	<u>(5,119)</u>	<u>192</u>

### 5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	924	939
Salaries, wages and other benefits	19,895	23,990
	<u>20,819</u>	<u>24,929</u>

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

The Group maintains a mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employee’s contributions to the MPF Scheme are based on 5% of the employees’ relevant income (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

	<b>Six months ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(b) Other items:</b>		
Depreciation	24,553	25,889
Amortisation	113	113
Research and development costs	2,385	3,507
Operating lease charges in respect of properties	1,031	1,327
Cost of inventories sold*	<u>97,124</u>	<u>160,075</u>

\* Cost of inventories includes RMB33,910,000 (unaudited) (six months ended 31 December 2014: RMB38,164,000 (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

	<b>Six months ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax — PRC Income Tax</b>		
Current period	—	—
<b>Deferred tax</b>		
Current period	<u>77</u>	<u>46</u>
	<u>77</u>	<u>46</u>

- (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 2014: Nil (unaudited)).

No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current period.



- (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 PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB36,408,000 (unaudited) (six months ended 31 December 2014: RMB10,421,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2014: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

### (b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 31 December 2015 of RMB36,408,000 (unaudited) (six months ended 31 December 2014: profit of RMB10,421,000 (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 2015 and 31 December 2014, the share options had no dilutive effect as the average market price of ordinary shares during the periods did not exceed the exercise price of the options.

	<b>Six months ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares (basic)	<b>1,037,500</b>	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	—	—
Weighted average number of ordinary shares (diluted)	<b><u>1,037,500</u></b>	<b><u>1,037,500</u></b>

## 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.

<i>Automation instrument and technology products:</i>	the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments.
<i>Horological instruments:</i>	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 2015 and 2014 is set out below.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Reportable segment revenue	<u>65,920</u>	<u>137,490</u>	<u>23,686</u>	<u>34,761</u>	<u>89,606</u>	<u>172,251</u>
Reportable segment (loss)/ profit (adjusted (loss)/ profit from operations)	<u>(7,957)</u>	<u>13,159</u>	<u>(4,906)</u>	<u>(7,349)</u>	<u>(12,863)</u>	<u>5,810</u>
	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2015 RMB'000 (Unaudited)	At 30 June 2015 RMB'000 (Audited)	At 31 December 2015 RMB'000 (Unaudited)	At 30 June 2015 RMB'000 (Audited)	At 31 December 2015 RMB'000 (Unaudited)	At 30 June 2015 RMB'000 (Audited)
Reportable segment assets	<u>516,812</u>	<u>561,791</u>	<u>203,405</u>	<u>193,779</u>	<u>720,217</u>	<u>755,570</u>
Addition to non-current segment assets during the six months ended 31 December 2015/year	<u>65</u>	<u>2,191</u>	<u>—</u>	<u>324</u>	<u>65</u>	<u>2,515</u>
Reportable segment liabilities	<u>18,938</u>	<u>11,929</u>	<u>6,039</u>	<u>10,428</u>	<u>24,977</u>	<u>22,357</u>

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

	Six months ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Reportable segment revenue	<u>89,606</u>	<u>172,251</u>
Consolidated turnover	<u><u>89,606</u></u>	<u><u>172,251</u></u>
<b>(Loss)/Profit</b>		
Reportable segment (loss)/profit	<u>(12,863)</u>	<u>5,810</u>
Unallocated head office and corporate expenses	<u>(23,468)</u>	<u>(16,185)</u>
Consolidated loss before taxation	<u><u>(36,331)</u></u>	<u><u>(10,375)</u></u>
<b>Assets</b>		
Reportable segment assets	<u>720,217</u>	<u>755,570</u>
Unallocated head office and corporate assets	<u>1,523,884</u>	<u>1,514,062</u>
Consolidated total assets	<u><u>2,244,101</u></u>	<u><u>2,269,632</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	<u>24,977</u>	<u>22,357</u>
Unallocated head office and corporate liabilities	<u>73,683</u>	<u>70,544</u>
Consolidated total liabilities	<u><u>98,660</u></u>	<u><u>92,901</u></u>

## 9. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

### (a) Acquisition of property, plant and equipment

During the six months ended 31 December 2015, the Group acquired items of property, plant and equipment amounting to RMB223,000 (unaudited) (six months ended 31 December 2014: RMB1,806,000 (unaudited)).

### (b) Construction in progress

Construction in progress comprises costs incurred on production plant and ancillary facilities not yet completed at the end of the reporting period. During the six months ended 31 December 2015, there was no payment made for construction in progress (unaudited) (six months ended 31 December 2014: RMB104,000 (unaudited)).

## 10. 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 2015 <i>RMB'000</i> (Unaudited)	At 30 June 2015 <i>RMB'000</i> (Audited)
Neither past due nor impaired (current)	101,779	126,945
Less than 1 month past due	—	—
1 to 3 months past due	5	—
Trade receivables, net of allowance for doubtful debts	101,784	126,945
Prepayments and other receivables	680	1,862
	<u>102,464</u>	<u>128,807</u>

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

## 11. TRADE AND OTHER PAYABLES

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

	At 31 December 2015 <i>RMB'000</i> (Unaudited)	At 30 June 2015 <i>RMB'000</i> (Audited)
Due within 1 month or on demand	1,180	12,299
Due after 1 month but within 3 months	13,292	8,292
Due after 3 months but within 6 months	13,138	87
Over 6 months	—	280
Total trade payables	27,610	20,958
Other payables and accruals	48,814	49,165
	<u>76,424</u>	<u>70,123</u>

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

## 12. DIVIDENDS

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

<b>Six months ended 31 December</b>	
<b>2015</b>	<b>2014</b>
<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

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

—	—
<u>                    </u>	<u>                    </u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Commentary

The Chinese economic growth slowed further during the six months ended 31 December 2015. Investments in fixed assets have been shrunken down by a number of problems, such as local debts and overcapacity, and instruments industry was caught in an increasingly arduous situation of industrial economy. The slowdown in growth or even the decrease in investment in relevant sectors during the reporting period has adversely affected the operating results of the Company.

In view of the above macro-economic and market conditions, the Company has followed the industrial development trend by improving its competitive strengths on technology and innovation under the guiding principles of “consolidation, upgrade and transformation”, in particular investments in digitization, intelligence conversion and network connectivity of products for expanding technological areas, including industrial intelligent instruments, transducers, materials and plant automation. As such, technology advances of our products have been secured through in-house research and development as well as “win-win” cooperation.

Saved as disclosed above, there was no important event affecting the Group which has occurred since the publication of the annual report of the Group for the year ended 30 June 2015.

### 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 approximately RMB65,920,000 (six months ended 31 December 2014: approximately RMB137,490,000), representing approximately 73.6% (six months ended 31 December 2014: approximately 79.8%) 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 loss of this business segment was approximately RMB7,957,000 for the Period while there was a reportable segment profit of approximately RMB13,159,000 in the corresponding period in 2014 due to the decrease in segment turnover.

#### *Horological instruments*

Sales of horological instruments were approximately RMB23,686,000 (six months ended 31 December 2014: approximately RMB34,761,000), which accounts for approximately 26.4% (six months ended 31 December 2014: approximately 20.2%) of the Group’s total turnover during the Period. This segment recorded reportable segment loss of approximately RMB4,906,000 as compared to that of approximately RMB7,349,000 in the corresponding period in 2014.

### 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 2018. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

## **Prospect**

Industrial automation instrument sector is a basic industry of modern industries. In recent years, the macro-economic growth in China has showed signs of slowdown, exerting downward pressure on the demand for investment in fixed assets of traditional downstream industries of industrial automation. As a result, a significant change in China's instruments market is expected as compared with the market situation in previous years. More importantly, the ongoing implementation of the national policies on energy conservation, reduction of consumption, discharge reduction and low-carbon economy will reduce demand for tradition market but present a huge demand for instrument products from various sectors, such as environmental protection, water supplies, new energy power system and smart electricity grid. The foreseeable demand will offer considerable potential to applications of our products for development.

## **Financial Review**

### *Turnover*

Turnover of the Group amounted to approximately RMB89,606,000 for the Period (six months ended 31 December 2014: approximately RMB172,251,000), representing a decrease of about 48.0% 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 delay in commencement of large scale projects in China (particularly those in the petroleum and petrochemical industries) and as a result of persistent decrease in demand of both industrial automation instrument and technology products and horological instruments.

### *Gross loss and loss from operations*

During the Period, the Group's gross loss and loss from operations amounted to approximately RMB7,518,000 (six months ended 31 December 2014: profit of approximately RMB12,176,000) and approximately RMB36,331,000 (six months ended 31 December 2014: approximately RMB10,375,000) respectively. The gross loss and increase in loss from operations is in line with the decrease in turnover.

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

The segment of horological instruments also suffered a gross loss for the Period although the average unit selling price slightly increased from RMB1.33 for the six months ended 31 December 2014 to RMB1.55 for the Period. It is also mainly due to the decrease in turnover. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

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

#### *Net loss*

The loss attributable to equity shareholders of the Company for the Period was approximately RMB36,408,000, as compared to that of approximately RMB10,421,000 in the corresponding period in 2014. It was mainly due to the factors as mentioned above.

#### *Loss per share*

The basic and diluted loss per share for the Period was RMB3.51 cents (six months ended 31 December 2014: RMB1.00 cents) and RMB3.51 cents (six months ended 31 December 2014: RMB1.00 cents) respectively.

#### *Capital Structure, Liquidity and Financial Resources*

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

As at 31 December 2015, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,460,224,000 (30 June 2015: approximately RMB1,449,346,000), approximately RMB1,550,670,000 (30 June 2015: approximately RMB1,557,219,000) and approximately RMB2,166,817,000 (30 June 2015: approximately RMB2,198,109,000) respectively.

#### *Borrowings*

As at 31 December 2015, the Group had no bank borrowings (30 June 2015: Nil).

#### *Equity*

Total equity attributable to equity shareholders of the Company as at 31 December 2015 decreased by approximately RMB31,290,000 to approximately RMB2,145,441,000 (30 June 2015: approximately RMB2,176,731,000).

#### *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 2015 was approximately 0.05 (30 June 2015: approximately 0.04).



## **Use of Proceeds from the Placing and the Public Offer**

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK\$1,043,000,000 (the "Net Proceeds") will mainly be 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 2015, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$119 million were used for research and development efforts;
3. Approximately HK\$42 million were used for network development and sales support services; and
4. Approximately HK\$3 million were used for the Group's information system development.

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

## **Significant Investments**

The Group had no significant investment held during the Period.

## **Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

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

## **Employees and Share Option Scheme**

As at 31 December 2015, the Group employed a total of 759 employees (30 June 2015: 844). 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 approximately RMB20,819,000 (six months ended 31 December 2014: approximately RMB24,929,000).

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 2015, 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 2015.

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 noted that there was a devaluation of the Renminbi Yuan against foreign currency during the Period. However the devaluation does not have material effect on the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Period and will continue to closely monitor such risk exposures from time to time.

### **Capital Commitment**

As at 31 December 2015, 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 RMB640,000 (30 June 2015: approximately RMB753,000) and approximately RMB56,912,000 (30 June 2015: approximately RMB56,864,000) respectively.

### **Contingent Liabilities**

As at 31 December 2015, 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 2015 (six months ended 31 December 2014: 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 as set out in Appendix 10 to the Listing Rules (the “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 2015, 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 2015 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](http://www.hkex.com.hk) and on the Company’s website at [www.chpag.net](http://www.chpag.net). The interim financial report of the Company for the six months ended 31 December 2015 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, 26 February 2016

*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.*