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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

HIGHLIGHTS

- Turnover increased by 7.7%;
- Profit from operations increased by 13.1%;
- Included in the profit from operations were IPO related expenses of approximately RMB13,323,000;
- Net profit attributable to equity shareholders of the Company increased by 13.9%;
- Basic and diluted earnings per share were RMB24.47 cents and RMB24.47 cents respectively;
- The Board proposed to declare a final dividend of HK$0.05 (equivalent to RMB0.0436) per ordinary share.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 June 2010 (the "Year"), with the comparative figures for the preceding financial year ended 30 June 2009, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010
(Expressed in Renminbi Yuan)

	Note	2010 *RMB'000*	2009 *RMB'000*
Turnover	4	**667,583**	620,003
Cost of sales		**(350,961)**	(323,762)
Gross profit		**316,622**	296,241
Other revenue	6	**12,075**	1,436
Other net income	6	**1,785**	63
Distribution costs		**(5,679)**	(3,833)
Administrative expenses		**(43,621)**	(45,341)
Profit from operations		**281,182**	248,566
Finance costs	7(a)	**(9,818)**	(5,775)
Profit before taxation	7	**271,364**	242,791
Income tax	8	**(43,706)**	(42,834)
Profit for the year attributable to equity shareholders of the Company		**227,658**	199,957
Earnings per share	10		
— basic		**24.47 cents**	26.66 cents
— diluted		**24.47 cents**	26.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010
(Expressed in Renminbi Yuan)

	2010 *RMB'000*	2009 *RMB'000*
Profit for the year attributable to equity shareholders of the Company	**227,658**	199,957
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(6,089)**	(272)
Total comprehensive income for the year	**221,569**	199,685

CONSOLIDATED BALANCE SHEET

At 30 June 2010

(Expressed in Renminbi Yuan)

	Note	**2010**	2009
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**166,040**	57,256
Construction in progress		**30,308**	71,043
Lease prepayments		**10,315**	10,656
Prepayments for construction costs		**3,682**	—
Deposits for the purchase of property, plant and equipment		**18,702**	—
Deferred tax assets		**2,489**	2,676
		231,536	141,631
Current assets			
Inventories		**38,462**	28,630
Trade and other receivables	11	**284,269**	289,875
Cash and cash equivalents		**1,369,617**	203,474
		1,692,348	521,979
Current liabilities			
Trade and other payables	12	**159,454**	159,011
Bank loans	13	—	78,997
Amount due to a shareholder		—	5,731
Amount due to a related party		—	20,413
Current taxation		**11,921**	10,587
Provision for warranty		**1,139**	1,055
		172,514	275,794
Net current assets		**1,519,834**	246,185
Total assets less current liabilities		**1,751,370**	387,816
Non-current liabilities			
Deferred tax liabilities		**17,966**	17,785
		17,966	17,785
NET ASSETS		**1,733,404**	370,031
CAPITAL AND RESERVES			
Share capital	15	**91,360**	342
Reserves		**1,642,044**	369,689
TOTAL EQUITY		**1,733,404**	370,031

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Surplus reserve**	**Share-based compensation reserve**	**Other reserve**	**Exchange reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2008	342	—	—	70,216	4,760	2,982	3,785	295,982	378,067
Changes in equity for the year ended 30 June 2009:									
Total comprehensive income for the year	—	—	—	—	—	—	(272)	199,957	199,685
Equity-settled share-based payments	—	—	—	—	22,605	—	—	—	22,605
Interim dividend declared and paid	—	—	—	—	—	—	—	(230,326)	(230,326)
Balance at 30 June 2009 and 1 July 2009	342	—	—	70,216	27,365	2,982	3,513	265,613	370,031
Changes in equity for the year ended 30 June 2010:									
Issuance of convertible bonds	—	—	2,018	—	—	—	—	—	2,018
Shares issued upon issuance of convertible bonds	1	—	—	—	—	—	—	—	1
Redemption of shares upon conversion of convertible bonds	(1)	—	—	—	—	—	—	—	(1)
Shares issued upon conversion of convertible bonds	78	223,383	(2,018)	—	—	—	—	—	221,443
Capitalisation issue	65,625	(65,625)	—	—	—	—	—	—	—
Shares issued under placing and public offering, net of share issuing expenses	25,315	893,028	—	—	—	—	—	—	918,343
Total comprehensive income for the year	—	—	—	—	—	—	(6,089)	227,658	221,569
Balance at 30 June 2010	91,360	1,050,786	—	70,216	27,365	2,982	(2,576)	493,271	1,733,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2010
(Expressed in Renminbi Yuan unless otherwise indicated)

1 REPORTING ENTITY AND CORPORATE REORGANISATION

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

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

2 BASIS OF PRESENTATION

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 30 June 2010 but is extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The financial information relating to the year ended 30 June 2009 that is included in this financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the Accountant's Report included in the prospectus of Company dated 2 November 2009, which is available from the Company's registered office.

The figures in respect of the announcement of the Group's results for the year ended 30 June 2010 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

3 CHANGES IN ACCOUNTING POLICIES

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

— HKFRS 8, *Operating segments*

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

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

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

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

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

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

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

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

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

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

4 TURNOVER

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

Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes. The amount of each significant category of revenue recognised during the year presented is as follows:

	2010	2009
	RMB'000	*RMB'000*
Sales of automation instrument and technology products	**527,954**	462,425
Sales of horological instruments	**139,629**	157,578
	667,583	620,003

During the year ended 30 June 2010, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2009: Nil).

5 SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

For the 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 administrative costs. In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue and additions to non-current segment assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2010 and 2009 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**527,954**	462,425	**139,629**	157,578	**667,583**	620,003
Reportable segment profit (adjusted profit from operations)	**242,855**	199,375	**49,879**	49,260	**292,734**	248,635

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2010	At 30 June 2009	**At 30 June 2010**	At 30 June 2009	**At 30 June 2010**	At 30 June 2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**403,758**	315,850	**148,130**	128,119	**551,888**	443,969
Addition to non-current segment assets during the year	**55,091**	34,212	**10,715**	234	**65,806**	34,446
Reportable segment liabilities	**94,557**	96,085	**60,619**	52,746	**155,176**	148,831

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**667,583**	620,003
Consolidated turnover	**667,583**	620,003

	2010	2009
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**292,734**	248,635
Unallocated head office and corporate expenses	**(21,370)**	(5,844)
Consolidated profit before taxation	**271,364**	242,791

	2010	2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**551,888**	443,969
Unallocated head office and corporate assets	**1,371,996**	219,641
Consolidated total assets	**1,923,884**	663,610

	2010	2009
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**155,176**	148,831
Unallocated head office and corporate liabilities	**35,304**	144,748
Consolidated total liabilities	**190,480**	293,579

6 OTHER REVENUE AND OTHER NET INCOME

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Bank interest income	**3,967**	1,436
Loan interest income *(note (i))*	**4,447**	—
Government grants *(note (ii))*	**3,661**	—
	12,075	1,436

Notes:

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

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

	2010	2009
	RMB'000	*RMB'000*
Other net income		
Net exchange gain	**1,785**	63

7 PROFIT BEFORE TAXATION

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

	2010	2009
	RMB'000	*RMB'000*
(a) **Finance costs:**		
Interest on bank borrowings wholly repayable within five years	**9,818**	5,775
Interest on convertible bonds *(note 14)*	**11,386**	—
Less: Borrowing costs capitalised as construction in progress	**(11,386)**	—
	9,818	5,775

The borrowing costs during the year have been capitalised at a rate of 15.84% per annum (2009: Nil) for construction in progress.

	2010	2009
	RMB'000	*RMB'000*
(b) **Staff costs:**		
Contributions to defined contribution retirement plans	**694**	630
Equity-settled share-based payment expenses	**—**	22,605
Salaries, wages and other benefits	**32,490**	25,207
	33,184	48,442

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

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

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

	2010	2009
	RMB'000	*RMB'000*
(c) **Other items:**		
Depreciation	**8,732**	7,424
Amortisation	**114**	—
Reversal of impairment losses on trade and other receivables	**(1,831)**	—
Research and development costs	**10,066**	7,235
Increase in provision for warranty	**264**	462
Auditors' remuneration	**2,510**	20
Operating lease charges:		
minimum lease payments — properties	**1,835**	1,925
Listing expenses	**13,323**	—
Cost of inventories	**350,961**	323,762

Note: Cost of inventories includes RMB26,700,000 (2009: RMB20,257,000) 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 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**43,338**	31,923
Deferred tax		
Origination and reversal of temporary differences	**368**	10,911
	43,706	42,834

(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 year (2009: Nil).

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

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

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

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

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

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

At 30 June 2010, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to RMB606,472,000 (2009: RMB352,500,000). Deferred tax liabilities of RMB12,698,000 (2009: Nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the foreign-invested enterprise and the directors have determined that a portion of these profits will not be distributed in the foreseeable future.

9. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2010	2009
	RMB'000	*RMB'000*
Interim dividend declared and paid during the year	**—**	230,326
Final dividend proposed after the balance sheet date of HK$0.05 (equivalent to approximately RMB0.0436) per ordinary share (2009: Nil)	**45,256**	—
	45,256	230,326

Interim dividend declared and paid during 2009 represents dividend declared prior to the listing of the Company. The rate of dividend per share is not presented for such dividend as it is not indicative of the rate at which future dividends will be declared.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10 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 RMB227,658,000 (2009: RMB199,957,000) and the weighted average of 930,230,000 ordinary shares (2009: 750,000,000 shares) in issue during the year, calculated as follows:

	2010	2009
	RMB'000	*RMB'000*
Earnings:		
Net profit (basic and diluted)	**227,658**	199,957

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**3,800**	3,800
Effects of shares issued upon conversion of convertible bonds	**561**	—
Number of ordinary shares issued under capitalisation issue	**745,321**	746,200
Effect of ordinary shares issued upon placing and public offering	**180,548**	—
Weighted average number of ordinary shares (basic)	**930,230**	750,000

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB227,658,000 (2009: RMB199,957,000) and weighted average number of shares in issue adjusted for the potential dilutive effect caused by the convertible bonds (note 14), assuming they were converted.

Net profit for the purpose of calculation of earnings per share for the year ended 30 June 2010 is the same as that for basic earnings per share, as the entire amount of interest expense on the convertible bonds for the year ended 30 June 2010 was capitalised under the cost of construction in progress.

	2010	2009
	'000	*'000*
Weighted average number of shares (basic)	**930,230**	750,000
Effect of conversion of convertible bonds	**301**	—
Weighted average number of shares (diluted)	**930,531**	750,000

11 TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**281,936**	261,661
Less: Allowance for doubtful debts *(note 11(b))*	**(1,824)**	(3,655)
	280,112	258,006
Prepayments for inventories purchase	**—**	15,000
Prepaid listing expenses	**—**	13,463
Other prepayments, deposits and receivables	**4,157**	3,406
	4,157	31,869
	284,269	289,875

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year. The Group generally grants credit periods of 120 days to 150 days from the date of billing to its customers.

(a) Ageing analysis

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

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired (current)	**278,688**	240,823
Less than 1 month past due	**664**	—
1 to 3 months past due	**760**	8,463
More than 3 months but less than 12 months past due	**—**	8,720
Amounts past due	**1,424**	17,183
	280,112	258,006

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

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

(b) Impairment of trade and other receivables

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

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

	2010	2009
	RMB'000	*RMB'000*
At 1 July 2009/2008	**3,655**	3,655
Write-back of impairment losses	**(3,655)**	—
Impairment loss recognised	**1,824**	—
At 30 June 2010/2009	**1,824**	3,655

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,824,000 (2009: Nil) were recognised. The Group does not hold any collateral over these balances.

(c) Bank loans secured by trade receivables

As at 30 June 2009, trade receivables of the Group amounted to RMB6,663,000 (2010:Nil) were assigned and charged in favour of a bank in the PRC as a security for loans of RMB5,997,000 (see note 13(a)).

12 TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**116,026**	115,280
Other payables and accruals	**43,428**	43,731
	159,454	159,011

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date. The credit periods granted by various suppliers generally range from 120 days to 150 days.

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**10,131**	17,187
Due after 1 month but within 3 months	**61,074**	74,394
Due after 3 months but within 6 months	**44,821**	23,699
	116,026	115,280

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

13 BANK LOANS

As at 30 June 2010, the bank loans were repayable as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	—	78,997
Representing:		
Secured bank loans *(note (a)):*		
— secured by trade receivables *(note 11(c))*	—	5,997
Unsecured bank loans *(note (b)):*		
— guaranteed by a related party and a third party	—	55,000
— others	—	18,000
	—	73,000
	—	78,997

(a) The secured loan as at 30 June 2009 bore interest at a rate of 3-month HIBOR which ranged from 0.36% to 3.66% for the year ended 30 June 2009.

At 30 June 2009, certain of the Group's assets were pledged to secure loans and banking facilities to the PRC subsidiary as follows:

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	—	6,663

(b) The unsecured bank loans as at 30 June 2009 bore fixed interest rate at 5.35% to 8.96% per annum.

(c) At 30 June 2009, banking facilities obtained by the Group amounted to RMB83,997,000, which were utilised to the extent of RMB78,997,000. All the bank loans as at 30 June 2009 were repaid during the year ended 30 June 2010. At 30 June 2010, no banking facilities are obtained by the Group.

14 CONVERTIBLE BONDS

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

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

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

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

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

Movements of the convertible bonds are as follows:

	Note	Liability component *RMB'000*	Derivative component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 1 July 2009		—	—	—	—
Issuance of convertible bonds, net of direct transaction costs		203,371	9,990	2,018	215,379
Interest charged for the year	7(a)	11,386	—	—	11,386
Interest paid during the year		(6,532)	—	—	(6,532)
Change in fair value of derivative component					
— embedded currency swap		—	3,228	—	3,228
Conversion into ordinary shares of the Company		(208,225)	(13,218)	(2,018)	(223,461)
At 30 June 2010		—	—	—	—

15 SHARE CAPITAL

Movements of the authorised share capital of the Company during the year are as follows:

	Note	Par value Class A shares *HK$*	Par value Class B shares *HK$*	Number of shares Class A shares *'000*	Number of shares Class B shares *'000*	Nominal value of ordinary shares *HK$'000*	Nominal value of ordinary shares *RMB'000*
Authorised:							
At 1 July 2008	(i)(a)	0.1	—	3,800	—	380	342
Increase in authorised share capital on 19 March 2009	(i)(b)	0.1	0.001	1,220	—	122	100
Redesignation of shares	(i)(b)	0.1	0.001	(20)	2,000	—	—
At 30 June 2009 and 1 July 2009		0.1	0.001	5,000	2,000	502	442
Cancellation of shares	(i)(c)	0.1	0.001	—	(2,000)	(2)	(2)
Increase in authorised share capital on 10 November 2009	(i)(d)	0.1	—	9,995,000	—	999,500	880,060
At 30 June 2010		0.1	—	10,000,000	—	1,000,000	880,500

A summary of the movements in the Company's issued share capital during the year are as follows:

		Par value		Number of shares			
		Class A shares	**Class B shares**	**Class A shares**	**Class B shares**	**Nominal value of ordinary shares**	
	Note	*HK$*	*HK$*	*'000*	*'000*	*HK$'000*	*RMB'000*
Issued and fully paid:							
At 1 July 2008, 30 June 2009 and 1 July 2009		0.1	—	3,800	—	380	342
Issue of shares upon issuance of convertible bonds	(ii)(a)	0.1	0.001	—	879	1	1
Redemption of shares upon conversion of convertible bonds	(i)(c)	0.1	0.001	—	(879)	(1)	(1)
Issue of shares upon conversion of convertible bonds	(ii)(b)	0.1	—	879	—	88	78
Capitalisation issue	(ii)(c)	0.1	—	745,321	—	74,532	65,625
Issue of shares under placing and public offering	(ii)(d)	0.1	—	287,500	—	28,750	25,315
At 30 June 2010		0.1	—	1,037,500	—	103,750	91,360

Notes:

(i) Authorised share capital

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

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

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

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

(ii) Issued share capital

(a) Issue of shares upon conversion of convertible bonds

On 8 July 2009, 879,442 Class B shares were issued to Standard Bank Plc, the subscriber of CBs at par value of HK$0.001 each.

(b) Issue of shares upon conversion of convertible bonds

As set out in note 14, on 10 November 2009, the entire principal amount of CBs was converted into 879,442 Class A shares of the Company.

(c) Capitalisation issue

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

(d) Issue of share under placing and public offering

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

(iii) As at 30 June 2010, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The Group observed that the economic conditions in China have improved and the economy has resumed double-digit growth during the Year. As an emerging high-growth business, the industry of industrial automation instrument in China sustained rapid growth even amid the previous financial turmoil. During the Year, the PRC government implemented various economic stimulus packages and made extensive investment in various industries and infrastructure development and the Group has been benefiting from policies such as "domestic procurement" and "domestic research and development" which provide a direct boost for the growth of the Group. Apart from the policy factor, the rapid growth of the industry of industrial automation instrument is also attributable to the following key factors:

(1) China has a significantly lower degree of industrial automation as compared to the western countries, and the demand for industrial automation instrument is rapidly growing as the nation demands for more sophisticated production technology and product quality.

(2) the application of industrial automation instrument provides an effective solution to the increasing difficulties in recruitment of workers in view of increasing labour costs.

(3) industrial automation instrument plays an important role in energy conservation against potential depletion given increasing demand for energy arising from China's rapid economic growth.

The Company is pleased to report the success in commencement of production of its 2nd phase plant development in 2010. With the huge demand and its relatively high profitability, pressure transmitters are the first products produced in the 2nd phase plant. The Company has also purchased numerous high precision mechanical processing equipment during the Year, which is expected to provide a positive effect on the quality and precision levels of products manufactured under the new capacities. The 2nd phase plant is expected to operate at full capacity around December 2010.

In the horological instruments segment, the Company increased its production capacity in the resurgent market benefiting from the withdrawal of certain competitors. The 2nd phase plant has also featured a fully-automated horological instruments production line based on in-house research and development. This production line is expected to have a positive impact on production efficiency.

Segment Information

The Group has adopted the following reportable business segment information:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB527,954,000 (2009: RMB462,425,000), representing approximately 79.1% (2009: 74.6%) of the Group's total turnover. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products and to manage its inventory levels and its distribution network. Reportable segment profit of this business segment was approximately RMB242,855,000 (2009: approximately RMB199,375,000), representing an increase of 21.8% as compared to that of 2009.

Horological instruments

Sales of horological instruments were approximately RMB139,629,000 (2009: approximately RMB157,578,000), which accounts for approximately 20.9% (2009: 25.4%) of the Group's total turnover during the Year. This segment recorded reportable segment profit of approximately RMB49,879,000, as compared to approximately RMB49,260,000 in 2009.

Manufacturing Facilities

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

The existing manufacturing facility (1st phase development) of the Group at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) is currently running close to its full production capacity.

As the utilization rate of the above existing plant was close to its maximum level since 2008, the Group planned for an expansion and upgrade of its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square metres.

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

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

Prospect

At present, China remains dependent on imports for industrial automation instrument, especially in the segment of medium to high-end applications, which is dominated by international players. The Group is optimistic about its market prospects, as it strives to narrow down the gap with foreign brands and to become one of the few domestic manufacturers of industrial automation instrument truly comparable to foreign products and ultimately be qualified as direct import substitutes. While the PRC government is expected to slow down its investments in fixed assets as the economy continues to recover, the Group remains optimistic about its business prospects, given the country's demand for industrial automated production and strong government drive for environmental protection and energy conservation.

The growth of the Company relies on its emphasis on research and development. In this regard, the Group has plans to increase investment in research and development in future by expanding manpower and capabilities thereof and to continue its cooperation with tertiary institutions for the ongoing research and development of new models and products.

The 3rd phase plant development will be primarily focused on the manufacture of the Company's new product — actuators. The Company expects to complete plant construction by December 2010 and to commence production in around June 2011, and it is expected to be operating at its full capacity in about 2 years' time. While the production of actuators requires a very high level of technological sophistication, the Company expects to manufacture actuators with impeccable quality as its team of technicians gradually master related technologies with the assistance of equipment acquired.

Financial Review

Turnover

Turnover of the Group amounted to approximately RMB667,583,000 for the Year (2009: approximately RMB620,003,000), representing an increase of about 7.7% as compared to that of last year. It is attributable to the new production capacity contributed from the completion of our second phase development in 2010.

Gross profit and profit from operations

During the Year, the Group's gross profit and profit from operations amounted to approximately RMB316,622,000 (2009: approximately RMB296,241,000) and RMB281,182,000 (2009: approximately RMB248,566,000) respectively.

The segment gross profit margin of automation instrument and technology products segment slightly decreased from 51.0% for 2009 to 50.3% for the Year. It was mainly due to the effect of changes in product mix during the Year. The average selling price for individual products remained relatively stable over the two years.

The segment gross profit margin of horological instruments segment slightly decreased from 38.4% for 2009 to 36.7% for the Year. It was because average selling price per unit was gradually decreased from RMB1.85 for 2009 to RMB1.74 for the Year. The Group reduced its selling prices to maintain market share in an intensely price competitive market.

During the Year, the Group recognised approximately RMB13,323,000 listing related expenses. Together with the increase in interest income on short-term loan to a shareholder of approximately RMB4,447,000 and the decrease in equity-settled share-based payment expenses of approximately RMB22,605,000, the Group's profit from operations increased by 13.1% for the Year.

Net profit

The profit attributable to the equity shareholders of the Company for the Year was approximately RMB227,658,000, as compared to that of approximately RMB199,957,000 in 2009. It was the net effect of factors as mentioned above and the increase in bank loan interest of RMB4,043,000.

Earnings per share

The basic and diluted earnings per share for the Year was RMB24.47 cents (2009: RMB26.66 cents) and RMB24.47 cents (2009: RMB26.66 cents) respectively.

Liquidity and Financial Resources

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

As at 30 June 2010, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,369,617,000 (30 June 2009: approximately RMB203,474,000), RMB1,519,834,000 (30 June 2009: approximately RMB246,185,000) and RMB1,751,370,000 (30 June 2009: approximately RMB387,816,000) respectively.

Borrowings

As at 30 June 2010, the Group had no bank borrowings (30 June 2009: approximately RMB78,997,000).

Equity

Total equity attributable to the shareholders of the Group as at 30 June 2010 increased by approximately RMB1,363,373,000 to approximately RMB1,733,404,000 (30 June 2009: approximately RMB370,031,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 30 June 2010 was approximately 0.1 (30 June 2009: approximately 0.8).

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.

During the Year, the Group has utilized the Net Proceeds as follows:

1. Approximately HK$38 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$8 million were used for research and development efforts;

3. Approximately HK$4 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.

Share Capital

Details of changes in the Company's share capital during the Year were set out in note 15 to this annual results announcement.

Significant Investments

The Group had no significant investment held during the Year.

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 Year.

Employees and Share Option Scheme

As at 30 June 2010, the Group employed a total of 1,233 employees (30 June 2009: 888). 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 Year, the employment cost (including Directors' emoluments) amounted to approximately RMB33,184,000 (2009: approximately RMB48,442,000). 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 Year, no option has been granted, exercised, cancelled or lapsed and there is no share option outstanding under the Scheme.

Charge on Assets

As at 30 June 2010, the Group did not have any charges on its assets.

Future Plans for Material Investments and Expected Sources of Funding

Apart from the expansion of manufacturing facilities as described under the section "Manufacturing Facilities" in this announcement, the Group had no future plans for material investments as at 30 June 2010.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies primarily in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Year and will continue to closely monitor such risk exposures from time to time.

Capital Commitment

As at 30 June 2010, in respect of capital expenditures, the Group had contracted for but not provided in the financial statements and authorized but not contracted for capital commitment in the financial statements amounted to approximately RMB201,015,000 (30 June 2009: RMB12,480,000) and RMB483,629,000 (30 June 2009: RMB184,127,000) respectively.

Contingent Liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities.

DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.05 (equivalent to approximately RMB0.0436) per ordinary share for the year ended 30 June 2010. The final dividend, subject to shareholders' approval at the Annual General Meeting to be held on 26 November 2010, will be paid on or around 17 December 2010 to its shareholders whose names appear on the register of members of the Company on 26 November 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 November 2010 to 26 November 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 19 November 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions stipulated in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of the Company on the Main Board of the Stock Exchange on 13 November 2009 to 30 June 2010, except for the deviation from 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. 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 on 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 Directors.

Having made specific enquiries of all Directors, all Directors confirmed to the Company that they have complied with the Model Code throughout the period since the listing of the Company on the Main Board of the Stock Exchange on 13 November 2009 to 30 June 2010.

AUDIT COMMITTEE

The Group established its audit committee (the "Audit Committee") on 25 August 2008 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises all 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 Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2010.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

The consolidated annual financial results of the Group for the year ended 30 June 2010 have been reviewed by the Audit Committee and are extracted from the draft consolidated annual financial statements for the year ended 30 June 2010 to be included in the 2010 Annual Report. Audited consolidated annual results of the Group are expected to be published in the 2010 Annual Report.

The 2010 Annual Report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.net and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 13 October 2010

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