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 2012

HIGHLIGHTS

- Turnover slightly decreased by 3.6%;
- Profit from operations decreased by 15.3%;
- Included in the profit from operations were share option related expenses of approximately RMB25,637,000;
- Net profit attributable to equity shareholders of the Company decreased by 14.8%;
- Basic and diluted earnings per share were RMB24.98 cents and RMB24.98 cents respectively;
- The Board recommended the payment of a final dividend of HK$0.020 (equivalent to approximately RMB0.016) per ordinary share.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 June 2012 (the "Year"), with the comparative figures for the preceding financial year ended 30 June 2011, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2012
(Expressed in Renminbi Yuan)

	Note	**2012** *RMB'000*	2011 *RMB'000*
Turnover	3	**868,075**	900,613
Cost of sales		**(475,307)**	(462,169)
Gross profit		**392,768**	438,444
Other revenue	5	**17,823**	16,527
Other net income/(loss)	5	**1,080**	(12,387)
Distribution costs		**(7,328)**	(4,490)
Administrative expenses		**(94,001)**	(71,690)
Profit from operations		**310,342**	366,404
Finance costs		**—**	—
Profit before taxation	6	**310,342**	366,404
Income tax	7	**(51,149)**	(62,011)
Profit for the year attributable to equity shareholders of the Company		**259,193**	304,393
Earnings per share *(RMB cents)*	9		
— basic		**24.98**	29.34
— diluted		**24.98**	29.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012
(Expressed in Renminbi Yuan)

	2012	2011
	RMB'000	*RMB'000*
Profit for the year attributable to equity shareholders of the Company	**259,193**	304,393
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(13,204)**	(5,504)
Total comprehensive income for the year attributable to equity shareholders of the Company	**245,989**	298,889

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012
(Expressed in Renminbi Yuan)

	Notes	**2012**	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**599,481**	265,441
Construction in progress		**—**	180,877
Interests in leasehold land held for own use under operating leases		**9,861**	10,088
Prepayments for construction costs		**—**	4,455
Deposits for the purchase of property, plant and equipment		**53,373**	57,665
Interests in jointly controlled entity		**3,072**	—
Deferred tax assets		**2,433**	2,466
		668,220	520,992
Current assets			
Inventories		**74,757**	50,546
Trade and other receivables	10	**438,036**	417,129
Cash and cash equivalents		**1,212,738**	1,257,031
		1,725,531	1,724,706
Current liabilities			
Trade and other payables	11	**131,490**	196,250
Current taxation		**6,572**	18,050
Provision for warranties		**574**	500
		138,636	214,800
Net current assets		**1,586,895**	1,509,906
Total assets less current liabilities		**2,255,115**	2,030,898
Non-current liabilities			
Deferred tax liabilities		**18,067**	18,022
		18,067	18,022
NET ASSETS		**2,237,048**	2,012,876
CAPITAL AND RESERVES			
Share capital	12	**91,360**	91,360
Reserves		**2,145,688**	1,921,516
TOTAL EQUITY		**2,237,048**	2,012,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
		Share capital	**Share premium**	**Surplus reserve**	**Share-based payment reserve**	**Other reserve**	**Exchange reserve**	**Retained profits**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2010		91,360	1,050,786	70,216	27,365	2,982	(2,576)	493,271	1,733,404
Changes in equity for the year ended 30 June 2011:									
Profit for the year		—	—	—	—	—	—	304,393	304,393
Other comprehensive income		—	—	—	—	—	(5,504)	—	(5,504)
Total comprehensive income		—	—	—	—	—	(5,504)	304,393	298,889
Dividend declared and paid		—	(45,256)	—	—	—	—	—	(45,256)
Equity settled share-based payments		—	—	—	25,839	—	—	—	25,839
Appropriation to surplus reserve		—	—	60,125	—	—	—	(60,125)	—
Balance at 30 June 2011		91,360	1,005,530	130,341	53,204	2,982	(8,080)	737,539	2,012,876
Balance at 1 July 2011		**91,360**	**1,005,530**	**130,341**	**53,204**	**2,982**	**(8,080)**	**737,539**	**2,012,876**
Changes in equity for the year ended 30 June 2012:									
Profit for the year		—	—	—	—	—	—	**259,193**	**259,193**
Other comprehensive income		—	—	—	—	—	**(13,204)**	—	**(13,204)**
Total comprehensive income		—	—	—	—	—	**(13,204)**	**259,193**	**245,989**
Dividend declared and paid	8	—	**(47,454)**	—	—	—	—	—	**(47,454)**
Equity settled share-based payments		—	—	—	**25,637**	—	—	—	**25,637**
Appropriation to surplus reserve		—	—	**29,354**	—	—	—	**(29,354)**	—
Balance at 30 June 2012		**91,360**	**958,076**	**159,695**	**78,841**	**2,982**	**(21,284)**	**967,378**	**2,237,048**

NOTES

1 BASIS OF PREPARATION

The consolidated results set out in this announcement does not constitute the Group's financial statements for the year ended 30 June 2012 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 (the "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 ("Stock Exchange").

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Amendments)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 (Amendments)	*Disclosures — Transfers of Financial Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC) — Int 14 Amendments	*Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	*Amendments to a number of HKFRSs issued in May 2010*

Other than as further explained below, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

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

3 TURNOVER

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

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

	2012	2011
	RMB'000	*RMB'000*
Sales of automation instrument and technology products	**757,116**	741,597
Sales of horological instruments	**110,959**	159,016
	868,075	900,613

During the year ended 30 June 2012, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2011: Nil).

4 SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, provision for warranties and current tax payable attributable to the individual segments.

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

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at reportable 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 expenses. 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 2012 and 2011 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**757,116**	741,597	**110,959**	159,016	**868,075**	900,613
Reportable segment profit (adjusted profit from operations)	**330,706**	361,794	**28,135**	62,453	**358,841**	424,247

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2012	At 30 June 2011	**At 30 June 2012**	At 30 June 2011	**At 30 June 2012**	At 30 June 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**914,622**	737,751	**204,258**	182,317	**1,118,880**	920,068
Addition to non-current segment assets during the year	**149,885**	217,189	**25,748**	46,801	**175,633**	263,990
Reportable segment liabilities	**76,753**	106,316	**10,133**	33,203	**86,886**	139,519

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

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**868,075**	900,613
Consolidated turnover	**868,075**	900,613

	2012	2011
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**358,841**	424,247
Unallocated head office and corporate expenses	**(48,499)**	(57,843)
Consolidated profit before taxation	**310,342**	366,404

	2012	2011
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**1,118,880**	920,068
Unallocated head office and corporate assets	**1,274,871**	1,325,630
Consolidated total assets	**2,393,751**	2,245,698

	2012	2011
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**86,886**	139,519
Unallocated head office and corporate liabilities	**69,817**	93,303
Consolidated total liabilities	**156,703**	232,822

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2012	2011
	RMB'000	*RMB'000*
Other revenue		
Bank interest income	**17,488**	14,944
Government grants *(Note (i))*	**335**	1,583
	17,823	16,527

Note:

(i) Government grants represent various forms of incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

Other net income/(loss)		
Net foreign exchange income/(loss)	**1,080**	(12,387)

6 PROFIT BEFORE TAXATION

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

	2012	2011
	RMB'000	*RMB'000*
(a) Staff costs:		
Contributions to defined contribution retirement plans	**1,829**	1,105
Equity-settled share-based payment expenses	**25,637**	25,839
Salaries, wages and other benefits	**43,359**	38,798
	70,825	65,742

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 employees covered under the 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$20,000 before 1 June 2012 and HK$25,000 from 1 June 2010 onwards) 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.

	2012	2011
	RMB'000	*RMB'000*
(b) Other items:		
Depreciation	**24,914**	17,047
Amortisation	**227**	227
Reversal of impairment losses on trade and other receivables *(note 10(b))*	**(919)**	(612)
Research and development costs	**26,895**	10,318
Reversal of provision for warranties	**(229)**	(444)
Auditors' remuneration	**1,650**	1,603
Operating lease charges in respect of properties	**1,771**	1,859
Cost of inventories*	**475,307**	462,169

* *Cost of inventories includes RMB42,822,000 (2011: RMB34,372,000) 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 6(a) for each of these types of expenses.*

7 INCOME TAX

Income tax in the consolidated income statement represents:

	2012	2011
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year	**51,048**	61,932
Deferred tax		
Origination and reversal of temporary differences	**101**	79
	51,149	62,011

(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.

(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.

8 DIVIDENDS

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

	2012	2011
	RMB'000	*RMB'000*
Dividend proposed after the end of the reporting period of HK2 cents per ordinary share (2011: HK5.5 cents per ordinary share)	**16,999**	47,454

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9 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 RMB259,193,000 (2011: RMB304,393,000) and the number of 1,037,500,000 ordinary shares (2011: 1,037,500,000 ordinary shares) in issue during the year.

(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 RMB259,193,000 (2011: RMB304,393,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options assuming they were exercised during the year. For the year ended 30 June 2012, the share options had no dilutive effect as the average market price of ordinary shares during the year did not exceed the exercise price of the options.

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	**—**	547
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,038,047

10 TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**433,562**	414,003
Less: allowance for doubtful debts *(note 10(b))*	**(293)**	(1,212)
	433,269	412,791
Other prepayments, deposits and receivables	**4,767**	4,338
	438,036	417,129

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 180 days from the date of billing to its customers.

(a) Ageing analysis

An ageing analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period is as follows:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired (current)	**410,993**	412,445
Less than 1 month past due	**22,276**	1
1 to 3 months past due	**—**	345
Amounts past due	**22,276**	346
	433,269	412,791

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:

	RMB'000	*RMB'000*
At 1 July 2011/2010	1,212	1,824
Write-back of impairment losses	(1,212)	(1,824)
Impairment loss recognised	293	1,212
At 30 June 2012/2011	293	1,212

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 RMB293,000 (2011: RMB1,212,000) were recognised. The Group does not hold any collateral over these balances.

11 TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**86,312**	139,019
Other payables and accruals	**45,178**	57,231
	131,490	196,250

Included in trade and other payables are trade payables with the following ageing analysis at the end of the reporting period. The credit periods granted by various suppliers generally range from 120 days to 150 days.

	2012	2011
	RMB'000	*RMB'000*
Due within 1 month or on demand	**2,260**	3,643
Due after 1 month but within 3 months	**45,854**	78,575
Due after 3 months but within 6 months	**38,198**	56,801
	86,312	139,019

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

12 SHARE CAPITAL

There was no movement of the authorised share capital of the Company during the years ended 30 June 2011 and 2012:

	Par value	**Number of shares**	**Nominal value of ordinary shares**	
	HK$	*'000*	*HK$'000*	*RMB'000*
Authorised:				
At 1 July 2010, 30 June 2011 and 30 June 2012	0.1	10,000,000	1,000,000	880,500

There was no movement in the Company's issued share capital during the years ended 30 June 2011 and 2012:

	Par value	**Number of shares**	**Nominal value of ordinary shares**	
	HK$	*'000*	*HK$'000*	*RMB'000*
Issued and fully paid:				
At 1 July 2010, 30 June 2011 and 30 June 2012	0.1	1,037,500	103,750	91,360

(i) As at 30 June 2012, 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.

13 EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to the shareholder's written resolution passed on 28 October 2009, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any directors and employees of the Group, to take up options to subscribe for the shares of the Company. The Scheme will remain in force for a period of 10 years from the effective date of such scheme and will expire on 13 November 2019.

Under the Scheme, the directors may at their discretion to grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. No share option was granted to the Company's directors and employees during the year ended 30 June 2012 (2011: 39,000,000 share options).

(a) The terms and conditions of the grants are as follows:

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
18 March 2011	Lot 1	4,920,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	4,920,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	6,560,000	24.5 months after the date of grant	5 years
Options granted to employees:				
18 March 2011	Lot 1	6,780,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	6,780,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	9,040,000	24.5 months after the date of grant	5 years
		39,000,000		

(b) The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price	*Number of options '000*
Outstanding at 1 July 2010	—	—
Granted during the year	HK$5.6	39,000
Outstanding at 30 June 2011 and 30 June 2012	HK$5.6	39,000

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes-Merton Option Pricing Model.

Fair value of share options and assumptions

	2011		
	Lot 1	**Lot 2**	**Lot 3**
Fair value at measurement date *(HK$)*	1.73789	1.88545	2.01633
Share price *(HK$)*	5.5	5.5	5.5
Exercise price *(HK$)*	5.6	5.6	5.6
Expected volatility	53.67%	53.67%	53.67%
Expected option life	2.5 years	3 years	3.5 years
Expected dividends	0.95%	0.95%	0.95%
Risk-free rate	0.77%	0.95%	1.14%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

Revenue of our Group has been on the decline in varying scales since the end of 2011, as our business operations felt, to different extents, the impact of the Eurozone debt crisis and China's austerity policies and measures to regulate the property market. The management responded to the increasingly severe domestic business environment in a proactive approach as our Group adopted measures to avoid bad debts and slow down new project investments; turn to large state-owned enterprises and the eco-friendly energy conservation industry for the solicitation of end-customers; and vigorously identify business opportunities in growth industries for the future, in order to mitigate the impact resulting from the crisis and preserve strengths to resume rapid growth when the economic sentiments improve.

China's overall economic growth experienced a gradual slowdown in 2011, as the nation's GDP growth was reduced to 7.6% for the second quarter of 2012, as compared to 9.5% for the same period of 2011. The decline in China's GDP growth rate was attributable, externally, to the decrease in global demand in the wake of the Eurozone debt crisis and slackened world economic recovery, while domestically the government's tightened monetary policy during the first three quarters of 2011, rising labour costs, the property market regulation, and financing difficulties for SMEs, etc. The external and internal factors of uncertainty have compounded to create difficulties for business operators both inside and outside our industry.

In terms of business development, there was a decline in turnover derived from watch movements around the end of 2011. Sales were slightly improved after the Chinese New Year, although a notable gap remained when compared to normal business levels. We reported stable performance in our automation instrument business, though there had been a mild decline since the end of 2011 attributable mainly to tightened credit supply for SMEs. Our industrial automation instrument segment, however, has been slightly affected since the fourth quarter of the Year. Analysed by customers, the cement and steel sectors have been subject to harder impact, as cases of suspension of capacity expansion projects or even reduction of existing production volumes have been reported in these industries since after the Chinese New Year, although certain other businesses, such as waste water treatment, have continued to report growth.

Despite the slowdown in turnover growth, our Company continued to gain pace in the advancement of our production technologies. In tandem with our Group's persistent focus on technological development, our technical and engineering personnel made a number of important technological breakthroughs during the past year, as our research and development staff carried out modification and customisation of imported advanced equipment to enhance the precision level and consistency of products, as well as to further improve production efficiency. As a leading player in the automation sector committed to the automation of our own production lines, we completed during the past year a fully-automated materials supply system for plastics injection modules, a fully automated surface mounting technology (SMT) production line for electronic parts and a high-precision processing and assembly line for core sensor components, contributing to significant improvements in product quality, precision level and production efficiency. Meanwhile, we have successfully developed a new product — Instrument Valves (Manifolds) and Tube Fittings — credit to our technological breakthrough in materials science. Currently, our Company is starting to launch the new product.

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB757,116,000 (2011: approximately RMB741,597,000), representing approximately 87.2% (2011: 82.3%) 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 RMB330,706,000 (2011: approximately RMB361,794,000), representing a decrease of about 8.6% as compared to that of 2011.

Horological instruments

Sales of horological instruments were approximately RMB110,959,000 (2011: approximately RMB159,016,000), which accounts for approximately 12.8% (2011: 17.7%) of the Group's total turnover during the Year. The decrease is mainly due to the impact of dim global economy. This segment recorded reportable segment profit of approximately RMB28,135,000, as compared to approximately RMB62,453,000 in 2011.

MANUFACTURING FACILITIES

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

The utilization rate of the existing manufacturing facility (1st phase development) of the Group located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號) has reached its maximum since 2008, the Group is in the process of expanding and upgrading its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square metres.

The 2nd phase development is solely for the expansion of the Group's production capacity of its existing products. The factory on site commenced production in 2010 and reached its full-scale production capacity in June 2011. Accordingly, the Group's production capacity of its existing products has been doubled as scheduled.

The 3rd phase development is solely for actuators, one of the Group's new products. The construction was complete before the Year end, and is expected to reach its full-scale production capacity in 2014. In light of the instability of the global economic market, the Directors will proceed with the future developments cautiously.

PROSPECTS

We expect 2013 would be a rather difficult year. In terms of macro-economic conditions, there were no signs of improvement in the slow economic recovery in various countries and acute slowdown of China's domestic economy as at June this year, fueling uncertainties in the prospects for both exports and domestic demands. In terms of industry prospects, domestic industries are undergoing a period of transition characterised by rising labour costs, as domestic enterprises are generally perturbed by high wages and recruitment difficulties. Given insufficient market demands and rising costs, domestic enterprises are likely to face a tougher business environment in future. China's automation instrument industry might also be negatively affected as a result, as capacity expansion plans will be shelved or slowed down in many industries which have to deal with redundant production capacities in light of the decrease in market demand, and the growth forecasts for such industries will have to be adjusted downwards. Nonetheless, industries such as the environmental protection, petroleum and petrochemical sectors will remain within the focus of China's future development. The Group will adopt a range of measures to alleviate the impact of the economic downturn, while seizing every opportunity for development.

Research and development underpins one of our Group's major objectives for 2013. After years of diligent efforts, our Company has made reported solid achievements in high-precision processing technologies and, for the current year, we have set sight on further progress on top of our existing technological leadership. As the Ministry of Industry and Information Technology officially announced the "12th Five Year Period Development Planning for the High-end Equipment Manufacturing Industry" in the second quarter, the management is confident that our Company will be able to capitalise on opportunities for development in the next 5 years in tandem with government policies.

We have traditionally adopted a prudent and conservative approach in management, which calls for pragmatism in response to any economic crisis. As such, the management is confident that all issues currently at hand will be resolved in time.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB868,075,000 for the Year (2011: approximately RMB900,613,000), representing a decrease of about 3.6% as compared to that of last year. The decrease is due to the decline in sales of horological instruments while the sales of automation instruments and technology products remained stable.

Gross profit and profit from operations

During the Year, the Group's gross profit and profit from operations amounted to approximately RMB392,768,000 (2011: approximately RMB438,444,000) and approximately RMB310,342,000 (2011: approximately RMB366,404,000) respectively. The decrease is broadly in line with the decrease in turnover.

The segment gross profit margin of automation instrument and technology products segment slightly decreased from 50.7% for 2011 to 47.6% for the Year. It was mainly due to the effect of changes in product mix while the average selling price for individual products remained relatively stable over the years.

The segment gross profit margin of horological instruments segment decreased from 39.5% for 2011 to 29.0% for the Year. It was because average unit selling price was decreased from RMB1.85 for 2011 to RMB1.76 for the Year. The Group adjusts its selling prices from time to time, if necessary, to maintain market share in an intensely price competitive market.

During the Year, the Group recognised approximately RMB25,637,000 (2011: approximately RMB25,839,000) for share option related expenses. Together with an increase in R&D costs and distribution costs of approximately RMB16,577,000 and RMB2,838,000 respectively, the Group's profit from operations decreased by 15.3% as compared to 2011.

Net profit

The profit attributable to equity shareholders of the Company for the Year was approximately RMB259,193,000, as compared to that of approximately RMB304,393,000 in 2011. It was mainly attributable to the factors as mentioned above.

Earnings per share

The basic and diluted earnings per share for the Year were RMB24.98 cents (2011: RMB29.34 cents) and RMB24.98 cents (2011: RMB29.32 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 2012, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,212,738,000 (30 June 2011: approximately RMB1,257,031,000), approximately RMB1,586,895,000 (30 June 2011: approximately RMB1,509,906,000) and approximately RMB2,255,115,000 (30 June 2011: approximately RMB2,030,898,000) respectively.

Borrowings

As at 30 June 2012, the Group had no bank borrowings (30 June 2011: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2012 increased by approximately RMB224,172,000 to approximately RMB2,237,048,000 (30 June 2011: approximately RMB2,012,876,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities: total equity) of the Group as at 30 June 2012 was approximately 0.1 (30 June 2011: approximately 0.1).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company's shares were listed on the Main Board of The Stock Exchange 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 30 June 2012, the Group has utilized the Net Proceeds as follows:

1. Approximately HK$478 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$54 million were used for research and development efforts;

3. Approximately HK$28 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 12 to this announcement.

SIGNIFICANT INVESTMENTS

On 13 April 2012, the Group entered into an agreement with an independent third party to set up a jointly controlled entity (the "JCE") in Baotou city Inner Mongolia PRC, of which the Group would directly hold 49% interest of the JCE. The total investment cost of the Group is RMB9,800,000. As at 30 June 2012, RMB3,072,000 was paid. The business of the JCE will be mainly engaged in industrial automation system integrator. As at the Year end, the JCE did not commence business as its incorporation was still in progress. The above transaction was less than 5% of each of the size tests according to the Listing Rules in Hong Kong.

Save as disclosed above, 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 2012, the Group employed a total of 1,143 employees (30 June 2011: 1,343). 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 Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB70,825,000 (2011: approximately RMB65,742,000). 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. As at 30 June 2012, 39,000,000 share options were outstanding under the Scheme. No option has been granted, exercised, cancelled or lapsed during the Year. Details of share options are set out in note 13 to this announcement.

CHARGE ON ASSETS

As at 30 June 2012, 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 and investment in the JCE as described under the paragraphs "Manufacturing Facilities" and "Significant Investments" to this announcement respectively, the Group had no future plans for material investments as at 30 June 2012.

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 2012, the Group had capital expenditure contracted for but not provided in the financial statements and capital expenditure authorized but not contracted for capital commitments in the financial statements amounted to approximately RMB7,299,000 (30 June 2011: approximately RMB35,372,000) and approximately RMB92,516,000 (30 June 2011: approximately RMB214,586,000) respectively.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any material contingent liabilities.

DIVIDENDS

The Board recommended the payment of a final dividend of HK0.020 (equivalent to approximately RMB0.016) per ordinary share for the year ended 30 June 2012. The final dividend, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 30 November 2012 ("AGM"), will be paid on or around Wednesday, 19 December 2012 to its shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 11 December 2012.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 December 2012 to Tuesday, 11 December 2012, 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 4:30pm on Wednesday, 5 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

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") for the nine months ended 31 March 2012 and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012) for the three months ended 30 June 2012, except for the deviation from the code provision A.2.1 of the Code as described in the following section.

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 during the Year.

REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviews and approves the remuneration proposal of all the Directors and senior management of the Company with reference to the Board's corporate goals and objectives.

NOMINATION COMMITTEE

The Group established a nomination committee (the "Nomination Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors. The Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor was appointed as the Chairman of the Nomination Committee.

AUDIT COMMITTEE

The Group established its audit committee (the "Audit Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor (Chairman). The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2012.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Notice of the AGM will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chpag.net.

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Monday, 26 November 2012 to Friday, 30 November 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 November 2012.

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 2012 have been reviewed by the Audit Committee and are extracted from the consolidated annual financial statements for the year ended 30 June 2012 to be included in the 2012 Annual Report.

The 2012 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, 28 September 2012

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