CHINA HIGH PRECISION AUTOMATION GROUP LIMITED
中國高精密自動化集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 591)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2013 (the "Period").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2013
(Expressed in Renminbi Yuan)

	Note	Six months ended 31 December **2013** *RMB'000* **(Unaudited)**	2012 *RMB'000* (Unaudited)
Turnover	3	**221,117**	284,164
Cost of sales		**(200,419)**	(193,248)
Gross profit		**20,698**	90,916
Other revenue	4	**3,802**	2,991
Other net income	4	**5,286**	1,370
Distribution costs		**(2,761)**	(3,524)
Administrative expenses		**(20,980)**	(22,264)
Profit from operations		**6,045**	69,489
Finance costs	5(a)	**—**	—
Profit before taxation	5	**6,045**	69,489
Income tax	6	**(2,752)**	(11,381)
Profit for the period attributable to equity shareholders of the Company		**3,293**	58,108
Earnings per share *(RMB cents)*	7		
— basic		**0.32**	5.60
— diluted		**0.32**	5.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity shareholders of the Company	**3,293**	58,108
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	**(6,022)**	(1,714)
Total comprehensive (loss)/income for the period attributable to equity shareholders of the Company	**(2,729)**	56,394

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi Yuan)

	Note	At 31 December 2013 *RMB'000* (Unaudited)	At 30 June 2013 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**584,030**	611,981
Investment properties		**55,079**	35,665
Construction in progress		**4,048**	—
Interests in leasehold land held for own use under operating leases		**9,648**	15,066
Deposits for the purchase of property, plant and equipment		**152**	878
Interests in a jointly controlled entity	9	**—**	2,286
Deferred tax assets		**2,569**	2,569
		655,526	668,445
Current assets			
Inventories		**61,133**	63,953
Trade and other receivables	10	**261,482**	265,789
Cash and cash equivalents		**1,408,826**	1,371,402
		1,731,441	1,701,144
Current liabilities			
Trade and other payables	11	**108,240**	89,044
Current taxation		**1,620**	282
Provision for warranties		**1,832**	2,259
		111,692	91,585
Net current assets		**1,619,749**	1,609,559
Total assets less current liabilities		**2,275,275**	2,278,004
Non-current liabilities			
Deferred tax liabilities		**17,986**	17,986
		17,986	17,986
NET ASSETS		**2,257,289**	2,260,018
CAPITAL AND RESERVES			
Share capital		**91,360**	91,360
Reserves		**2,165,929**	2,168,658
TOTAL EQUITY		**2,257,289**	2,260,018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Surplus reserve** *RMB'000*	**Share-based compensation reserve** *RMB'000*	**Other reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 July 2012	91,360	958,076	159,695	78,841	2,982	(21,284)	967,378	2,237,048
Changes in equity for the year ended 30 June 2013:								
Profit for the year	—	—	—	—	—	—	36,277	36,277
Other comprehensive income	—	—	—	—	—	(5,727)	—	(5,727)
Total comprehensive income	—	—	—	—	—	(5,727)	36,277	30,550
Dividend declared and paid	—	(16,999)	—	—	—	—	—	(16,999)
Equity settled share-based payments	—	—	—	9,419	—	—	—	9,419
Appropriation to surplus reserve	—	—	16,683	—	—	—	(16,683)	—
Balance at 30 June 2013 and 1 July 2013	**91,360**	**941,077**	**176,378**	**88,260**	**2,982**	**(27,011)**	**986,972**	**2,260,018**
Changes in equity for the six months ended 31 December 2013:								
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**3,293**	**3,293**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(6,022)**	**—**	**(6,022)**
Total comprehensive income/(loss)	**—**	**—**	**—**	**—**	**—**	**(6,022)**	**3,293**	**(2,729)**
Appropriation to surplus reserve	**—**	**—**	**5,412**	**—**	**—**	**—**	**(5,412)**	**—**
Balance at 31 December 2013	**91,360**	**941,077**	**181,790**	**88,260**	**2,982**	**(33,033)**	**984,853**	**2,257,289**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2013
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash generated from operations	**51,980**	145,803
PRC income tax paid	**(1,414)**	(15,163)
Net cash generated from operating activities	**50,566**	130,640
Net cash used in investing activities	**(13,142)**	(11,030)
Net cash used in financing activities	**—**	(16,866)
Net increase in cash and cash equivalents	**37,424**	102,744
Cash and cash equivalents at beginning of the period	**1,371,402**	1,212,738
Cash and cash equivalents at end of the period	**1,408,826**	1,315,482

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 February 2014.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 30 June 2013 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2013 are available from the Company's registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 27 September 2013.

2. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 7 (Amendments), *Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 9, *Financial Instruments*
HKFRS 10, *Consolidated Financial Statements*
HKFRS 11, *Joint Arrangements*
HKFRS 12, *Disclosure of Interests in Other Entities*
HKFRS 13, *Fair Value Measurement*
HKAS 19 (Revised), *Employee Benefits*
HKAS 27 (Revised), *Separate Financial Statements*
HKAS 28 (Revised), *Investments in Associates and Joint Ventures*
HK(IFRIC) — Int 20, *Stripping Costs in the Production Phase of a Surface Mine*

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

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

3. TURNOVER

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

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

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	**181,913**	240,642
Sales of horological instruments	**39,204**	43,522
	221,117	284,164

During the six months ended 31 December 2013, there was 1 customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2012: Nil (unaudited)).

4. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	**2,433**	2,813
Share of (loss)/profit of a jointly controlled entity	**(329)**	178
Gain on disposal of a jointly controlled entity	**1,115**	—
Reversal of provision for warranties	**427**	—
Rental income	**156**	—
	3,802	2,991
Other net income		
Net exchange gain	**5,286**	1,370

5. PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs	**—**	—
(b) Staff costs:		
Contributions to defined contribution retirement plans	**1,019**	943
Salaries, wages and other benefits	**23,888**	24,565
	24,907	25,508

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

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employees' contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HK$25,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(c) Other items:		
Depreciation	**26,404**	13,694
Amortisation	**113**	113
Research and development costs	**2,226**	2,452
Increase in provision for warranty	**—**	241
Operating lease charges:		
minimum lease payments — properties	**676**	744
Cost of inventories *(note)*	**200,419**	193,248

Note: Cost of inventories includes RMB39,784,000 (unaudited) (six months ended 31 December 2012: RMB21,541,000 (unaudited)) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6. INCOME TAX

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Provision for the period	**2,752**	11,381

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the period (unaudited) (six months ended 31 December 2012: Nil (unaudited)).

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

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

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,293,000 (unaudited) (six months ended 31 December 2012: RMB58,108,000 (unaudited)) and the weighted average of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2012: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period, calculated as follows:

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Net profit (basic and diluted)	**3,293**	58,108

	Six months ended 31 December	
	2013	2012
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning and end of the period	**1,037,500**	1,037,500
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2013 of RMB3,293,000 (unaudited) (six months ended 31 December 2012: RMB58,108,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options, assuming they were exercised during the Period. For the six months ended 31 December 2013, the share options had no dilutive effect as the average market price of ordinary shares during the period did not exceed the exercise price of the options.

	Six months ended 31 December	
	2013	2012
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,037,500

8. SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at reporting segment profit, the Group's profit from operations is adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue and additions to non-current segment assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2013 and 2012 is set out below.

For the six months ended 31 December	**Automation instrument and technology products**		**Horological instruments**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**181,913**	240,642	**39,204**	43,522	**221,117**	284,164
Reportable segment profit/(loss) (adjusted profit/(loss) from operations)	**22,491**	85,636	**(6,352)**	(696)	**16,139**	84,940

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2013	At 30 June 2013	**At 31 December 2013**	At 30 June 2013	**At 31 December 2013**	At 30 June 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**726,801**	754,223	**183,879**	197,313	**910,680**	951,536
Addition to non-current segment assets during the six months ended 31 December 2013/year	**3,734**	47,122	**4,209**	14,220	**7,943**	61,342
Reportable segment liabilities	**52,437**	43,668	**9,662**	4,842	**62,099**	48,510

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

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**221,117**	284,164
Consolidated turnover	**221,117**	284,164

	Six months ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit	**16,139**	84,940
Unallocated head office and corporate expenses	**(10,094)**	(15,451)
Consolidated profit before taxation	**6,045**	69,489

	At 31 December 2013	At 30 June 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**910,680**	951,536
Unallocated head office and corporate assets	**1,476,287**	1,418,053
Consolidated total assets	**2,386,967**	2,369,589

	At 31 December 2013 *RMB'000* (Unaudited)	At 30 June 2013 *RMB'000* (Audited)
Liabilities		
Reportable segment liabilities	**62,099**	48,510
Unallocated head office and corporate liabilities	**67,579**	61,061
Consolidated total liabilities	**129,678**	109,571

9. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	At 31 December 2013 RMB'000 (Unaudited)	At 30 June 2013 RMB'000 (Audited)
Unlisted investment, at costs (HKD3,750,000)	**3,072**	3,072
Accumulated share of loss b/f	**(786)**	—
Share of loss for the period/year	**(329)**	(786)
Accumulated share of loss c/f	**(1,115)**	(786)
Group's share of net assets before disposal	**1,957**	2,286
Less: Disposal	**(1,957)**	—
Group's share of net assets as at period/year ended	**—**	2,286
Consideration of disposal (HKD3,750,000)	**3,072**	—
Less: Group's share of net assets before disposal	**(1,957)**	—
Gain on disposal charged to other revenue	**1,115**	—

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Place of incorporation/ establishment and operation	Registered capital paid	Proportion of ownership interest: Group effective interest	Held by the company	Held by a subsidiary	Principal activities
Baotou Wide Plus Precision Instrument Co., Ltd. ("Baotou Wide Plus")	PRC	RMB6,041,000	49%	—	49%	Manufacture and sale of high precision industrial automation instrument and technology products and industrial automation system integrator

As at 15 November 2013, the Group entered into an agreement on an arm's length basis with an independent third party to dispose of its entire interests in Baotou Wide Plus at HKD3,750,000.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis:

	At 31 December 2013 *RMB'000* (Unaudited)	At 30 June 2013 *RMB'000* (Audited)
Neither past due nor impaired (current)	**257,578**	264,286
Less than 1 month past due	**—**	—
Trade receivables, net of allowance for doubtful debts	**257,578**	264,286
Prepayments and other receivables	**3,904**	1,503
	261,482	265,789

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

11. TRADE AND OTHER PAYABLES

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

	At 31 December 2013 *RMB'000* (Unaudited)	At 30 June 2013 *RMB'000* (Audited)
Due within 1 month or on demand	**498**	185
Due after 1 month but within 3 months	**31,877**	20,883
Due after 3 months but within 6 months	**31,586**	25,184
Total trade payables	**63,961**	46,252
Other payables and accruals	**44,279**	42,792
	108,240	89,044

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

12. DIVIDENDS

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

	Six months ended 31 December 2013 *RMB'000* (Unaudited)	2012 *RMB'000* (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim (six months ended 31 December 2012: HK$2 cents (unaudited) per ordinary share)	**—**	16,865

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

For the six months ended 31 December 2013, the uncertain economic environment in China slowed down its economic growth. Domestic industries were facing difficulties, such as structural adjustment and overcapacity. The gross domestic product (GDP) of China grew by 7.7% year on year in 2013 as compared with a growth of 7.8% in 2012. The Purchasing Managers Index (PMI) recorded positive growth from July to October 2013 though, the PMI in November 2013 maintained at the same level over the same period last year, and the PMI in December 2013 and January 2014 even recorded negative growth of 0.4% and 0.5% respectively. Such decreasing trend presented certain domestic economic instabilities. In addition, Producer Price Index (PPI) for the period from July to December 2013 dropped by 1.58% on average as compared with the average drop of 2.82% in the same period last year.

The operating performance of the Group has been affected by the complicated economic environment, and the business operations of our customers have been more challenging than last year, resulting in a decrease in demand for our products from our existing customers in the reporting period. As such, the operating results of the Group deteriorated significantly as compared with that of last year. The sales performance of some of our controllers was still affected by the problem of overcapacity in the infrastructure-related sectors, hampering it to climb up to the past level. Both of our sales quantity and selling price have decreased and such movement is anticipated to remain in short term.

As operating conditions has become more intricate, the management of the Group has been actively expanding to new sectors. During the Period, we were granted the qualification of first tier supplier by PetroChina Company Limited and Sinopec Group, products being supplied include smart pressure transmitters, electromagnetic flow meters, gauge valves (sets) and pipe connectors as well as temperature transmitters, and such qualification will bring significant benefits to our future development.

Save as otherwise disclosed in this announcement, there was no material change from the information published in the annual report of the Group for the year ended 30 June 2013.

Segment Information

The Group has the following two business segments.

Automation instrument and technology products

During the Period, sales of high precision industrial automation instrument and technology products amounted to RMB181,913,000 (six months ended 31 December 2012: RMB240,642,000), representing approximately 82.3% (six months ended 31 December 2012: 84.7%) of the Group's total turnover. The Group continued to focus on the production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. Reportable segment profit of this business segment was RMB22,491,000 (six months ended 31 December 2012: RMB85,636,000), representing a decrease of about 73.7% as compared to that of the corresponding period in 2012 due to the decrease in segment turnover.

Horological instruments

Sales of horological instruments amounted to RMB39,204,000 (six months ended 31 December 2012: RMB43,522,000), which accounts for approximately 17.7% (six months ended 31 December 2012: 15.3%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of RMB6,352,000 as compared to a loss of RMB696,000 in the corresponding period in 2012 due to the decrease in segment turnover.

Manufacturing Facilities

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

As the utilization rate of the existing manufacturing facility (1st phase development) of the Group located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) has reached its maximum since 2008, the Group is in the process of expanding and upgrading its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square 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 completed before 30 June 2012, and is expected to reach its full-scale production capacity in 2015. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

Prospect

Our future development will focus on petroleum and petrochemical industries in which we will seek business opportunities. Besides, the research, development and promotion of new model of transmitters and marketing of our gauge valve (sets) will also be the major tasks of the Group. As most of our customers are being affected by industrial transformation, the Group is enhancing its sales capability to explore new sectors for business development.

The Group's management remains conservative and prudent for the Group's business outlook in the short run and optimistic about the business development of the Group in the long run.

Financial Review

Turnover

Turnover of the Group amounted to RMB221,117,000 for the Period (six months ended 31 December 2012: RMB284,164,000), representing a decrease of about 22.2% as compared to that of the corresponding period last year. The decrease is mainly due to the adverse effect of the sluggish global economy which causes decrease in demand of industrial automation instrument and technology products.

Gross profit and profit from operations

During the Period, the Group's gross profit and profit from operations amounted to RMB20,698,000 (six months ended 31 December 2012: RMB90,916,000) and RMB6,045,000 (six months ended 31 December 2012: RMB69,489,000) respectively. The decrease is in line with the decrease in turnover.

The segment gross profit margin of automation instrument and technology products segment decreased from 37.7% for the six months ended 31 December 2012 to 14.4% for the Period. It was mainly due to the decrease in sales and the increase in fixed cost.

The segment of horological instruments suffered a gross loss for the Period due to the decrease in average unit selling price from RMB1.32 for the six months ended 31 December 2012 to RMB1.24 for the Period and the increase in fixed cost. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

Accordingly, during the Period, the Group's profit from operations decreased by 91.3% as compared to that of the corresponding period last year.

Net profit

The profit attributable to equity shareholders of the Company for the Period was RMB3,293,000, as compared to that of RMB58,108,000 in the corresponding period in 2012. It was mainly due to the factors as mentioned above.

Earnings per share

The basic and diluted earnings per share for the Period was RMB0.32 cents (six months ended 31 December 2012: RMB5.60 cents) and RMB0.32 cents (six months ended 31 December 2012: RMB5.60 cents) respectively.

Liquidity and Financial Resources

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

As at 31 December 2013, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB1,408,826,000 (30 June 2013: RMB1,371,402,000), RMB1,619,749,000 (30 June 2013: RMB1,609,559,000) and RMB2,275,275,000 (30 June 2013: RMB2,278,004,000) respectively.

Borrowings

As at 31 December 2013, the Group had no bank borrowings (30 June 2013: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2013 decreased by RMB2,729,000 to RMB2,257,289,000 (30 June 2013: RMB2,260,018,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 31 December 2013 was approximately 0.06 (30 June 2013: approximately 0.05).

Use of Proceeds from the Placing and the Public Offer

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

1. Approximately HK$711 million will be used for establishment of production facilities for new products of the Group;

2. Approximately HK$129 million will be used for research and development efforts;

3. Approximately HK$81 million will be used for network development and sales support services;

4. Approximately HK$18 million will be used for the Group's information system development; and

5. Approximately HK$104 million will be used for general working capital.

Up to 31 December 2013, the Group has utilized the Net Proceeds as follows:

1. Approximately HK$579 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$74 million were used for research and development efforts;

3. Approximately HK$39 million were used for network development and sales support services; and

4. Approximately HK$2 million were used for the Group's information system development.

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

Significant Investments

Save for the interests in a jointly controlled entity as disclosed in note 9 to the unaudited interim financial information of the Group for the Period, the Group had no significant investment held during the Period.

Acquisition and Disposal of Subsidiaries and Associated Companies

Save for the disposal of interests in a jointly controlled entity as disclosed in note 9 to the unaudited interim financial information of the Group for the Period, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the Period.

Employees and Share Option Scheme

As at 31 December 2013, the Group employed a total of 1,038 employees (30 June 2013: 1,067). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to RMB24,907,000 (six months ended 31 December 2012: RMB25,508,000). In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. During the Period, no option was granted, exercised, cancelled or lapsed and there were 39,000,000 share options outstanding under the Scheme.

Charge on Assets

As at 31 December 2013, the Group did not have any charges on its assets.

Future Plans for Material Investments and Expected Sources of Funding

Apart from the expansion of manufacturing facilities as described in page 15, the Group had no future plans for material investments as at 31 December 2013.

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

Exposure to Fluctuations in Exchange Rates

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

Capital Commitment

As at 31 December 2013, the Group had capital expenditure contracted for but not provided in the interim financial information and capital expenditure authorized but not contracted for in the interim financial information amounted to approximately RMB2,910,000 (30 June 2013: approximately RMB19,826,000) and approximately RMB113,715,000 (30 June 2013: approximately RMB117,651,000) respectively.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2013 (six months ended 31 December 2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the Period, except for the deviation from the Code Provision A.2.1 of the Code as described below.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code Provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by the Directors.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor, is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with management the unaudited interim results and the interim report of the Group for the six months ended 31 December 2013, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. They considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2013 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.chpag.net. The interim financial report of the Company for the six months ended 31 December 2013 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

SUSPENSION OF TRADING

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

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

Hong Kong, 28 February 2014

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.