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## **CHINA HIGH PRECISION AUTOMATION GROUP LIMITED**

### **中國高精密自動化集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 591)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011**

### **HIGHLIGHTS**

- Turnover increased by 34.9%;
- Profit from operations increased by 30.3%;
- Included in the profit from operations were share option related expenses of approximately RMB25,839,000;
- Net profit attributable to equity shareholders of the Company increased by 33.7%;
- Basic and diluted earnings per share were RMB29.34 cents and RMB29.32 cents respectively;
- The Board proposed to declare a final dividend of HK\$0.055 (equivalent to approximately RMB0.046) per ordinary share.

## ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 30 June 2011 (the “Year”), with the comparative figures for the preceding financial year ended 30 June 2010, as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 30 June 2011*

*(Expressed in Renminbi Yuan)*

|   | <i>Note</i> | <b>2011</b><br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|---|-------------|-------------------------------|------------------------|
| <b>Turnover</b>   | 3           | <b>900,613</b>                | 667,583                |
| Cost of sales   |             | <b>(462,169)</b>              | (350,961)              |
| <b>Gross profit</b>   |             | <b>438,444</b>                | 316,622                |
| Other revenue   | 5           | <b>16,527</b>                 | 12,075                 |
| Other net (loss)/income   | 5           | <b>(12,387)</b>               | 1,785                  |
| Distribution costs  |             | <b>(4,490)</b>                | (5,679)                |
| Administrative expenses   |             | <b>(71,690)</b>               | (43,621)               |
| <b>Profit from operations</b>   |             | <b>366,404</b>                | 281,182                |
| Finance costs   | 6(a)        | —                             | (9,818)                |
| <b>Profit before taxation</b>   | 6           | <b>366,404</b>                | 271,364                |
| Income tax  | 7           | <b>(62,011)</b>               | (43,706)               |
| <b>Profit for the year attributable to equity shareholders of the Company</b> |             | <b>304,393</b>                | 227,658                |
| <b>Earnings per share (<i>RMB cents</i>)</b>                                  | 9           |                               |                        |
| — basic   |             | <b>29.34</b>                  | 24.47                  |
| — diluted   |             | <b>29.32</b>                  | 24.47                  |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 30 June 2011**(Expressed in Renminbi Yuan)*

|   | <b>2011</b><br><b><i>RMB'000</i></b> | 2010<br><i>RMB'000</i> |
|---|--------------------------------------|------------------------|
| <b>Profit for the year attributable to equity shareholders of the Company</b>                                   | <b>304,393</b>                       | 227,658                |
| <b>Other comprehensive income for the year</b>  |                                      |                        |
| Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong) | <u>(5,504)</u>                       | <u>(6,089)</u>         |
| <b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>               | <b><u>298,889</u></b>                | <b><u>221,569</u></b>  |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2011**(Expressed in Renminbi Yuan)*

|  | <i>Note</i> | <b>2011</b><br><b>RMB'000</b> | 2010<br>RMB'000 |
|--|-------------|-------------------------------|-----------------|
| <b>Non-current assets</b>  |             |                               |                 |
| Property, plant and equipment  |             | <b>265,441</b>                | 166,040         |
| Construction in progress   |             | <b>180,877</b>                | 30,308          |
| Interests in leasehold land held for own use<br>under operating leases |             | <b>10,088</b>                 | 10,315          |
| Prepayments for construction costs                                     |             | <b>4,455</b>                  | 3,682           |
| Deposits for the purchase of<br>property, plant and equipment          |             | <b>57,665</b>                 | 18,702          |
| Deferred tax assets  |             | <b>2,466</b>                  | 2,489           |
|  |             | <b>520,992</b>                | 231,536         |
| <b>Current assets</b>  |             |                               |                 |
| Inventories  |             | <b>50,546</b>                 | 38,462          |
| Trade and other receivables  | <i>10</i>   | <b>417,129</b>                | 284,269         |
| Cash and cash equivalents  |             | <b>1,257,031</b>              | 1,369,617       |
|  |             | <b>1,724,706</b>              | 1,692,348       |
| <b>Current liabilities</b>   |             |                               |                 |
| Trade and other payables   | <i>11</i>   | <b>196,250</b>                | 159,454         |
| Current taxation   |             | <b>18,050</b>                 | 11,921          |
| Provision for warranties   |             | <b>500</b>                    | 1,139           |
|  |             | <b>214,800</b>                | 172,514         |
| <b>Net current assets</b>  |             | <b>1,509,906</b>              | 1,519,834       |
| <b>Total assets less current liabilities</b>                           |             | <b>2,030,898</b>              | 1,751,370       |
| <b>Non-current liabilities</b>   |             |                               |                 |
| Deferred tax liabilities   |             | <b>18,022</b>                 | 17,966          |
|  |             | <b>18,022</b>                 | 17,966          |
| <b>NET ASSETS</b>  |             | <b>2,012,876</b>              | 1,733,404       |
| <b>CAPITAL AND RESERVES</b>  |             |                               |                 |
| Share capital  | <i>12</i>   | <b>91,360</b>                 | 91,360          |
| Reserves   |             | <b>1,921,516</b>              | 1,642,044       |
| <b>TOTAL EQUITY</b>  |             | <b>2,012,876</b>              | 1,733,404       |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

(Expressed in Renminbi Yuan)

|  | Attributable to equity shareholders of the Company |                          |                          |                            |                            |  |                          |                             |                             |                  |
|--|--|--------------------------|--------------------------|----------------------------|----------------------------|--|--------------------------|-----------------------------|-----------------------------|------------------|
|  | Note   | Share capital<br>RMB'000 | Share premium<br>RMB'000 | Capital reserve<br>RMB'000 | Surplus reserve<br>RMB'000 | Share-based payment reserve<br>RMB'000 | Other reserve<br>RMB'000 | Exchange reserve<br>RMB'000 | Retained profits<br>RMB'000 | Total<br>RMB'000 |
| <b>Balance at 1 July 2009</b>  |  | 342                      | —                        | —                          | 70,216                     | 27,365                                 | 2,982                    | 3,513                       | 265,613                     | 370,031          |
| <b>Changes in equity for the year ended 30 June 2010:</b>                      |  |                          |                          |                            |                            |  |                          |                             |                             |                  |
| Profit for the year  |  | —                        | —                        | —                          | —                          | —                                      | —                        | —                           | 227,658                     | 227,658          |
| Other comprehensive income   |  | —                        | —                        | —                          | —                          | —                                      | —                        | (6,089)                     | —                           | (6,089)          |
| Total comprehensive income   |  | —                        | —                        | —                          | —                          | —                                      | —                        | (6,089)                     | 227,658                     | 221,569          |
| Issuance of convertible bonds  |  | —                        | —                        | 2,018                      | —                          | —                                      | —                        | —                           | —                           | 2,018            |
| Shares issued upon issuance of convertible bonds                               |  | 1                        | —                        | —                          | —                          | —                                      | —                        | —                           | —                           | 1                |
| Redemption of shares upon conversion of convertible bonds                      |  | (1)                      | —                        | —                          | —                          | —                                      | —                        | —                           | —                           | (1)              |
| Shares issued upon conversion of convertible bonds                             |  | 78                       | 223,383                  | (2,018)                    | —                          | —                                      | —                        | —                           | —                           | 221,443          |
| Capitalisation issue   |  | 65,625                   | (65,625)                 | —                          | —                          | —                                      | —                        | —                           | —                           | —                |
| Shares issued under placing and public offering, net of share issuing expenses |  | 25,315                   | 893,028                  | —                          | —                          | —                                      | —                        | —                           | —                           | 918,343          |
| <b>Balance at 30 June 2010 and 1 July 2010</b>                                 |  | 91,360                   | 1,050,786                | —                          | 70,216                     | 27,365                                 | 2,982                    | (2,576)                     | 493,271                     | 1,733,404        |
| <b>Changes in equity for the year ended 30 June 2011:</b>                      |  |                          |                          |                            |                            |  |                          |                             |                             |                  |
| 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   | 8  | —                        | (45,256)                 | —                          | —                          | —                                      | —                        | —                           | —                           | (45,256)         |
| Equity settled share-based payments  |  | —                        | —                        | —                          | —                          | 25,839                                 | —                        | —                           | —                           | 25,839           |
| Appropriation to surplus reserve   |  | —                        | —                        | —                          | 60,125                     | —                                      | —                        | —                           | (60,125)                    | —                |
| <b>Balance at 30 June 2011</b>   |  | 91,360                   | 1,005,530                | —                          | 130,341                    | 53,204                                 | 2,982                    | (8,080)                     | 737,539                     | 2,012,876        |

## 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 2011 but is extracted from those financial statements.

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

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

The figures in respect of the announcement of the Group's results for the year ended 30 June 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

### 2 CHANGES IN ACCOUNTING POLICIES

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

- Improvements to HKFRSs (2009)
- Improvements to HKFRSs (2010)
- HK(IFRIC)19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

### 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:

|  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Sales of automation instrument and technology products | 741,597                | 527,954                |
| Sales of horological instruments                       | 159,016                | 139,629                |
|  | <u>900,613</u>         | <u>667,583</u>         |

During the year ended 30 June 2011, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2010: 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.

|   |   |
|---|---|
| <i>Automation instrument and technology products:</i> | the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments. |
| <i>Horological instruments:</i>                       | the manufacture and trading of multi-functional all-plastic quartz watch movements.   |

#### (a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment 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 2011 and 2010 is set out below.

|  | Automation<br>instrument and<br>technology products |                       | Horological<br>instruments |                       | Total                 |                       |
|--|---|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
|  | 2011  | 2010                  | 2011                       | 2010                  | 2011                  | 2010                  |
|  | <i>RMB'000</i>                                      | <i>RMB'000</i>        | <i>RMB'000</i>             | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Reportable segment revenue                                     | <u>741,597</u>                                      | <u>527,954</u>        | <u>159,016</u>             | <u>139,629</u>        | <u>900,613</u>        | <u>667,583</u>        |
| Reportable segment profit<br>(adjusted profit from operations) | <u>361,794</u>                                      | <u>242,855</u>        | <u>62,453</u>              | <u>49,879</u>         | <u>424,247</u>        | <u>292,734</u>        |
|  | Automation<br>instrument and<br>technology products |                       | Horological<br>instruments |                       | Total                 |                       |
|  | At<br>30 June<br>2011                               | At<br>30 June<br>2010 | At<br>30 June<br>2011      | At<br>30 June<br>2010 | At<br>30 June<br>2011 | At<br>30 June<br>2010 |
|  | <i>RMB'000</i>                                      | <i>RMB'000</i>        | <i>RMB'000</i>             | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Reportable segment assets                                      | <u>737,751</u>                                      | <u>403,758</u>        | <u>182,317</u>             | <u>148,130</u>        | <u>920,068</u>        | <u>551,888</u>        |
| Addition to non-current segment<br>assets during the year      | <u>217,189</u>                                      | <u>55,091</u>         | <u>46,801</u>              | <u>10,715</u>         | <u>263,990</u>        | <u>65,806</u>         |
| Reportable segment liabilities                                 | <u>106,316</u>                                      | <u>94,557</u>         | <u>33,203</u>              | <u>60,619</u>         | <u>139,519</u>        | <u>155,176</u>        |

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

|  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Revenue</b>                                 |                        |                        |
| Reportable segment revenue                     | <u>900,613</u>         | <u>667,583</u>         |
| Consolidated turnover                          | <u>900,613</u>         | <u>667,583</u>         |
| <b>Profit</b>                                  |                        |                        |
| Reportable segment profit                      | <u>424,247</u>         | <u>292,734</u>         |
| Unallocated head office and corporate expenses | <u>(57,843)</u>        | <u>(21,370)</u>        |
| Consolidated profit before taxation            | <u>366,404</u>         | <u>271,364</u>         |
| <b>Assets</b>                                  |                        |                        |
| Reportable segment assets                      | <u>920,068</u>         | <u>551,888</u>         |
| Unallocated head office and corporate assets   | <u>1,325,630</u>       | <u>1,371,996</u>       |
| Consolidated total assets                      | <u>2,245,698</u>       | <u>1,923,884</u>       |

|   | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| <b>Liabilities</b>                                |                        |                        |
| Reportable segment liabilities                    | 139,519                | 155,176                |
| Unallocated head office and corporate liabilities | <u>93,303</u>          | <u>35,304</u>          |
| Consolidated total liabilities                    | <u><u>232,822</u></u>  | <u><u>190,480</u></u>  |

## 5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

|  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Other revenue</b>                     |                        |                        |
| Bank interest income                     | 14,944                 | 3,967                  |
| Loan interest income ( <i>Note (i)</i> ) | —                      | 4,447                  |
| Government grants ( <i>Note (ii)</i> )   | <u>1,583</u>           | <u>3,661</u>           |
|  | <u><u>16,527</u></u>   | <u><u>12,075</u></u>   |

*Notes:*

- (i) Loan interest income represents the interest income earned from a short-term interest bearing loan of USD21.7 million (equivalent to RMB148.2 million) granted to a shareholder, Fortune Plus Holdings Limited on 8 July 2009. The loan carried interest at LIBOR plus a margin of 8% per annum and was repayable on demand. The loan was fully repaid on 13 November 2009.
- (ii) Government grants represent various forms of incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

|                                  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| <b>Other net (loss)/income</b>   |                        |                        |
| Net foreign exchange (loss)/gain | <u>(12,387)</u>        | <u>1,785</u>           |

## 6 PROFIT BEFORE TAXATION

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

|  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>(a) Finance costs:</b>                                      |                        |                        |
| Interest on bank borrowings wholly repayable within five years | —                      | 9,818                  |
| Interest on convertible bonds                                  | —                      | 11,386                 |
| Less: borrowing costs capitalised as construction in progress  | <u>—</u>               | <u>(11,386)</u>        |
|  | <u><u>—</u></u>        | <u><u>9,818</u></u>    |
|  | <b>2011</b>            | <b>2010</b>            |
|  | <i>RMB'000</i>         | <i>RMB'000</i>         |
| <b>(b) Staff costs:</b>  |                        |                        |
| Contributions to defined contribution retirement plans         | 1,105                  | 694                    |
| Equity-settled share-based payment expenses                    | 25,839                 | —                      |
| Salaries, wages and other benefits                             | <u>38,798</u>          | <u>32,490</u>          |
|  | <u><u>65,742</u></u>   | <u><u>33,184</u></u>   |

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 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\$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

|   | 2011<br><i>RMB’000</i> | 2010<br><i>RMB’000</i> |
|---|------------------------|------------------------|
| <b>(c) Other items:</b>   |                        |                        |
| Depreciation  | 17,047                 | 8,732                  |
| Amortisation  | 227                    | 114                    |
| Reversal of impairment losses on trade and other receivables<br><i>(note 10(b))</i> | (612)                  | (1,831)                |
| Research and development costs  | 10,318                 | 10,066                 |
| (Reversal of)/increase in provision for warranties                                  | (444)                  | 264                    |
| Auditors’ remuneration  | 1,603                  | 2,510                  |
| Operating lease charges in respect of properties                                    | 1,859                  | 1,835                  |
| Listing expenses  | —                      | 13,323                 |
| Cost of inventories *   | <u>462,169</u>         | <u>350,961</u>         |

\* *Cost of inventories includes RMB34,372,000 (2010: RMB26,700,000) 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(b) for each of these types of expenses.*

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

|   | 2011<br><i>RMB’000</i> | 2010<br><i>RMB’000</i> |
|---|------------------------|------------------------|
| <b>Current tax — PRC Income Tax</b>               |                        |                        |
| Provision for the year                            | 61,932                 | 43,338                 |
| <b>Deferred tax</b>                               |                        |                        |
| Origination and reversal of temporary differences | <u>79</u>              | <u>368</u>             |
|   | <u><b>62,011</b></u>   | <u><b>43,706</b></u>   |

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the 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:

|   | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|-----------------|-----------------|
| Dividend proposed after the end of the reporting period of<br>HK5.5 cents per ordinary share (2010: HK5 cents per ordinary share) | <u>47,454</u>   | <u>45,256</u>   |

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 RMB304,393,000 (2010: RMB227,658,000) and the weighted average number of 1,037,500,000 ordinary shares (2010: 930,230,000 ordinary shares) in issue during the year, calculated as follows:

|   | 2011<br>'000     | 2010<br>'000   |
|---|------------------|----------------|
| <b>Weighted average number of ordinary shares:</b>                |                  |                |
| Issued ordinary shares at beginning of the year                   | 1,037,500        | 3,800          |
| Effects of shares issued upon conversion of convertible bonds     | —                | 561            |
| Number of ordinary shares issued under capitalisation issue       | —                | 745,321        |
| Effect of ordinary shares issued upon placing and public offering | —                | 180,548        |
| Weighted average number of ordinary shares (basic)                | <u>1,037,500</u> | <u>930,230</u> |

**(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 RMB304,393,000 (2010: RMB227,658,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised during the year.

|  | 2011<br><i>'000</i> | 2010<br><i>'000</i> |
|--|---------------------|---------------------|
| Weighted average number of ordinary shares (basic)                       | 1,037,500           | 930,230             |
| Effect of deemed issue of shares under the Company's share option scheme | 547                 | —                   |
| Effect of conversion of convertible bonds                                | —                   | 301                 |
|  | <u>1,038,047</u>    | <u>930,531</u>      |
| Weighted average number of ordinary shares (diluted)                     | <u>1,038,047</u>    | <u>930,531</u>      |

**10 TRADE AND OTHER RECEIVABLES**

|  | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Trade receivables                                  | 414,003                | 281,936                |
| Less: allowance for doubtful debts<br>(note 10(b)) | <u>(1,212)</u>         | <u>(1,824)</u>         |
|  | 412,791                | 280,112                |
| Other prepayments, deposits and receivables        | <u>4,338</u>           | <u>4,157</u>           |
|  | <u>417,129</u>         | <u>284,269</u>         |

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

**(a) Ageing analysis**

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

|   | 2011<br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Neither past due nor impaired (current) | 412,445                | 278,688                |
| Less than 1 month past due              | 1                      | 664                    |
| 1 to 3 months past due                  | <u>345</u>             | <u>760</u>             |
| Amounts past due                        | <u>346</u>             | <u>1,424</u>           |
|   | <u>412,791</u>         | <u>280,112</u>         |

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:

|                                 | <b>2011</b><br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| At 1 July 2010/2009             | <b>1,824</b>                  | 3,655                  |
| Write-back of impairment losses | <b>(1,824)</b>                | (3,655)                |
| Impairment loss recognised      | <b>1,212</b>                  | 1,824                  |
|                                 | <hr/>                         | <hr/>                  |
| At 30 June 2011/2010            | <b>1,212</b>                  | 1,824                  |
|                                 | <hr/> <hr/>                   | <hr/> <hr/>            |

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,212,000 (2010: RMB1,824,000) were recognised. The Group does not hold any collateral over these balances.

**11 TRADE AND OTHER PAYABLES**

|                             | <b>2011</b><br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|-----------------------------|-------------------------------|------------------------|
| Trade payables              | <b>139,019</b>                | 116,026                |
| Other payables and accruals | <b>57,231</b>                 | 43,428                 |
|                             | <hr/>                         | <hr/>                  |
|                             | <b>196,250</b>                | 159,454                |
|                             | <hr/> <hr/>                   | <hr/> <hr/>            |

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.

|  | <b>2011</b><br><i>RMB'000</i> | 2010<br><i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Due within 1 month or on demand        | <b>3,643</b>                  | 10,131                 |
| Due after 1 month but within 3 months  | <b>78,575</b>                 | 61,074                 |
| Due after 3 months but within 6 months | <b>56,801</b>                 | 44,821                 |
|  | <hr/>                         | <hr/>                  |
|  | <b>139,019</b>                | 116,026                |
|  | <hr/> <hr/>                   | <hr/> <hr/>            |

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

## 12 SHARE CAPITAL

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

|  | <i>Note</i> | <b>Par value</b>                     |                                      | <b>Number of shares</b>              |                                      | <b>Nominal value of ordinary shares</b> |                       |
|--|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|-----------------------|
|  |             | <b>Class A shares</b><br><i>HK\$</i> | <b>Class B shares</b><br><i>HK\$</i> | <b>Class A shares</b><br><i>'000</i> | <b>Class B shares</b><br><i>'000</i> | <b><i>HK\$'000</i></b>                  | <b><i>RMB'000</i></b> |
| <b>Authorised:</b>                                       |             |                                      |                                      |                                      |                                      |   |                       |
| At 1 July 2009   |             | 0.1                                  | 0.001                                | 5,000                                | 2,000                                | 502                                     | 442                   |
| Cancellation of shares                                   | (i)(a)      | —                                    | 0.001                                | —                                    | (2,000)                              | (2)                                     | (2)                   |
| Increase in authorised share capital on 10 November 2009 | (i)(b)      | 0.1                                  | —                                    | 9,995,000                            | —                                    | 999,500                                 | 880,060               |
| At 30 June 2010 and 2011                                 |             | 0.1                                  | —                                    | <u>10,000,000</u>                    | <u>—</u>                             | <u>1,000,000</u>                        | <u>880,500</u>        |

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

|   | <i>Note</i> | <b>Par value</b>                     |                                      | <b>Number of shares</b>              |                                      | <b>Nominal value of ordinary shares</b> |                       |
|---|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|-----------------------|
|   |             | <b>Class A shares</b><br><i>HK\$</i> | <b>Class B shares</b><br><i>HK\$</i> | <b>Class A shares</b><br><i>'000</i> | <b>Class B shares</b><br><i>'000</i> | <b><i>HK\$'000</i></b>                  | <b><i>RMB'000</i></b> |
| <b>Issued and fully paid:</b>                             |             |                                      |                                      |                                      |                                      |   |                       |
| At 1 July 2009  |             | 0.1                                  | —                                    | 3,800                                | —                                    | 380                                     | 342                   |
| Issue of shares upon issuance of convertible bonds        | (ii)(a)     | —                                    | 0.001                                | —                                    | 879                                  | 1                                       | 1                     |
| Redemption of shares upon conversion of convertible bonds | (i)(a)      | —                                    | 0.001                                | —                                    | (879)                                | (1)                                     | (1)                   |
| Issue of shares upon conversion of convertible bonds      | (ii)(b)     | 0.1                                  | —                                    | 879                                  | —                                    | 88                                      | 78                    |
| Capitalisation issue                                      | (ii)(c)     | 0.1                                  | —                                    | 745,321                              | —                                    | 74,532                                  | 65,625                |
| Issue of shares under placing and public offering         | (ii)(d)     | 0.1                                  | —                                    | 287,500                              | —                                    | 28,750                                  | 25,315                |
| At 30 June 2010 and 2011                                  |             | 0.1                                  | —                                    | <u>1,037,500</u>                     | <u>—</u>                             | <u>103,750</u>                          | <u>91,360</u>         |

*Notes:*

(i) Authorised share capital

- (a) Pursuant to the CB Subscription Deed entered into by the Company, upon mandatory conversion of the convertible bonds (“CBs”) on 10 November 2009, all Class B shares subscribed by the holders of the CBs were automatically redeemed by the Company at nil consideration and cancelled.
- (b) By an ordinary resolution of the Company passed on 28 October 2009, immediately upon the conversion of the CBs as mentioned in (a) above, the authorised share capital of the Company be increased from HK\$500,000 to HK\$1,000,000,000 by the creation of an additional 9,995,000,000 shares of HK\$0.1 each, ranking *pari passu* in all respects with the existing shares.

(ii) Issued share capital

*(a) Issue of shares upon issuance of convertible bonds*

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

*(b) Issue of shares upon conversion of convertible bonds*

On 10 November 2009, the entire principal amount of CBs was converted into 879,442 Class A shares of the Company.

*(c) Capitalisation issue*

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

*(d) Issue of share under placing and public offering*

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

- (iii) As at 30 June 2011, 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. 39,000,000 share options were granted to the Company's directors and employees during the year ended 30 June 2011 (2010: Nil).

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

| <b>Date of grant</b>          |       | <b>Number of options granted</b> | <b>Vesting conditions</b>           | <b>Contractual life of options</b> |
|-------------------------------|-------|----------------------------------|-------------------------------------|------------------------------------|
| 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                            |
|                               |       | <u>39,000,000</u>                |                                     |                                    |

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

|                                     | Weighted average<br>exercise price | Number of<br>options<br>'000 |
|-------------------------------------|------------------------------------|------------------------------|
| Outstanding at 1 July 2009 and 2010 | —                                  | —                            |
| Granted during the year             | <u>HK\$5.6</u>                     | <u>39,000</u>                |
| Outstanding at 30 June 2011         | <u>HK\$5.6</u>                     | <u>39,000</u>                |
| Exercisable at 30 June 2011         | <u>HK\$5.6</u>                     | <u>11,700</u>                |

(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 estimation 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

Over the last year, China's macroeconomic policy shifted from easing to tightening, and the People's Bank of China made upward adjustments on interest rate and deposit reserve ratio, gradually cooling down the rapid economic growth. In addition, uncertainties in investment environment have been posed by rising wages in China. Despite the above uncertainties, in view of the Group's market position and the industry environment, the Directors hold positive view on the Group's foreseeable future and are confident to achieve stable and healthy growth in the Group's business.

Pursuant to "12th Five-Year Plan for High-End Equipment Manufacturing Development" (the "12th Five-Year Plan"), one of the key priorities is the initiatives to develop precision and intelligent instruments as well as testing instruments, intelligent control systems, critical basic parts and components, premium computer numerical control lathe and intelligent special-purpose equipment. Such initiatives are crucial in upgrade and re-generation of manufacturing industry, which would help promoting China to be a powerful manufacturing country. With the Group's strength in production of high precision and intelligent instruments, control systems and high precision parts and components, the Group is well positioned to benefit from the 12th Five-Year Plan over the next five years.

It is anticipated that domestic manufacturing will be vigorously promoted across various industries in the 12th Five-Year Plan period, expecting over 90% of oil refinery equipment and over 85% of ethylene equipment for petrochemical industry being domestically manufactured will be achieved at the end of the 12th Five-Year Plan Period. In such favorable environment, the Directors are striving for excellence in production support so to take advantage of the development opportunities available over the next five years.

For the Group's businesses, major tasks for the management were production expansion of the 2nd phase development of the new plant as well as pre-production of the 3rd phase development for actuators. Production of 2nd phase development commenced in October 2010 and substantially increased in April 2011 upon trial run and fine tuning of a large amount of equipment delivered after Lunar New Year. As a result, additional production capacity of automation instrument and technology products was achieved in June 2011 as originally scheduled. However, since fully automated operation was needed for the new production line, production expansion of watch movements could not be finalised before June 2011 due to technological complexity. The management will endeavor to commence operation of fully automated production line for watch movements as soon as possible. Additionally, in view of the early delivery of production equipment, small lot trial production of actuators was commenced ahead of its schedule before June 2011 in the temporary factory of 2nd phase development plant.

## 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 RMB741,597,000 (2010: approximately RMB527,954,000), representing approximately 82.3% (2010: 79.1%) 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 RMB361,794,000 (2010: approximately RMB242,855,000), representing an increase of about 49.0% as compared to that of 2010.

### **Horological instruments**

Sales of horological instruments were approximately RMB159,016,000 (2010: approximately RMB139,629,000), which accounts for approximately 17.7% (2010: 20.9%) of the Group's total turnover during the Year. This segment recorded reportable segment profit of approximately RMB62,453,000, as compared to approximately RMB49,879,000 in 2010.

## 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 is in progress and is expected to complete in December 2011, and is expected to reach its full-scale production capacity in 2013. In light of the instability of the global economic market, the Directors will proceed with the future developments cautiously.

## PROSPECTS

In the short and medium term, the management will be more focused with the development of detectors business. With further development of the "Internet of Things", demand for sensors will grow rapidly in China at compound annual growth rate of approximately 30% over the next five years. Therefore, the management is optimistic about the prospects of detectors market.

In the medium and long term, the management is confident in actuators market as such product would be sold at higher price as well as margins than other existing products of the Group. Mid-to-high end valves market in China is substantially monopolized by international brands and domestic companies with capacities in producing high precision, reliable, durable and safe valves are rare. After years of research and development, the Group has mastered the technology of valves production at a mature level. Together with the introduction of world class processing equipment imported from overseas and more resources will be placed on development of the Group's actuators business, the management is optimistic in mid-to-high end valves markets and is confident in the Group's development of valves business.

Research and development is always the Group's priority. Upon completion of the Group's new research and development centre, it will conduct research and development on various new products and technologies with advanced equipment imported from overseas. Given the comprehensive range of the Group's products, the management will endeavor to develop the business of system integration, which is initially expected to be explored in financial year 2012. Despite the problematic issues such as rising wages and labor shortages commonly found in enterprises in China, the Group has adequate human resources and competent technologies for automated production of watch movements and automaton instruments, resulting in positive impacts on cost control and product quality in the future.

## **FINANCIAL REVIEW**

### **Turnover**

Turnover of the Group amounted to approximately RMB900,613,000 for the Year (2010: approximately RMB667,583,000), representing an increase of about 34.9% as compared to that of last year. The increase is attributable to the additional production capacity contributed by the 2nd phase development.

### **Gross profit and profit from operations**

During the Year, the Group's gross profit and profit from operations amounted to approximately RMB438,444,000 (2010: approximately RMB316,622,000) and approximately RMB366,404,000 (2010: approximately RMB281,182,000) respectively. The increase is attributable to the additional production capacity contributed by the 2nd phase development.

The segment gross profit margin of automation instrument and technology products segment slightly increased from 50.3% for 2010 to 50.7% 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 increased from 36.7% for 2010 to 39.5% for the Year. It was because average unit selling price was increased from RMB1.74 for 2010 to RMB1.85 for the Year. The Group adjust the 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 RMB25,839,000 for share option related expenses. Together with an exchange loss of approximately RMB12,387,000 and increase in interest income of approximately RMB6,530,000, the Group's profit from operations increased by 30.3% as compared to 2010.

## **Net profit**

The profit attributable to equity shareholders of the Company for the Year was approximately RMB304,393,000, as compared to that of approximately RMB227,658,000 in 2010. It was mainly attributable to the factors as mentioned above and the reduction of finance cost by approximately RMB9,818,000 as all bank loans of the Group have been repaid in November 2009.

## **Earnings per share**

The basic and diluted earnings per share for the Year was RMB29.34 cents (2010: RMB24.47 cents) and RMB29.32 cents (2010: RMB24.47 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 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,257,031,000 (30 June 2010: approximately RMB1,369,617,000), approximately RMB1,509,906,000 (30 June 2010: approximately RMB1,519,834,000) and approximately RMB2,030,898,000 (30 June 2010: approximately RMB1,751,370,000) respectively.

## **Borrowings**

As at 30 June 2011, the Group had no bank borrowings (30 June 2010: Nil).

## **Equity**

Total equity attributable to equity shareholders of the Company as at 30 June 2011 increased by approximately RMB279,472,000 to approximately RMB2,012,876,000 (30 June 2010: approximately RMB1,733,404,000).

## **Gearing ratio**

The gearing ratio (calculated as the ratio of total liabilities: total equity) of the Group as at 30 June 2011 was approximately 0.1 (30 June 2010: 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 2011, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$238 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$21 million were used for research and development efforts;
3. Approximately HK\$19 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**

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 2011, the Group employed a total of 1,343 employees (30 June 2010: 1,233). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB65,742,000 (2010: approximately RMB33,184,000). In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. During the Year, 39,000,000 share options have been granted and outstanding under the Scheme. No option has been exercised, cancelled or lapsed during the Year. Details of share options granted by the Company during the Year are set out in note 13 to this announcement.

## **CHARGE ON ASSETS**

As at 30 June 2011, the Group did not have any charges on its assets.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING**

Apart from the expansion of manufacturing facilities as described under the paragraph "Manufacturing Facilities" in this announcement, the Group had no future plans for material investments as at 30 June 2011.

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 COMMITMENTS**

As at 30 June 2011, 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 RMB35,372,000 (30 June 2010: approximately RMB201,015,000) and approximately RMB214,586,000 (30 June 2010: approximately RMB483,629,000) respectively.

## **CONTINGENT LIABILITIES**

As at 30 June 2011, the Group did not have any material contingent liabilities.

## **DIVIDENDS**

The Board recommended the payment of a final dividend of HK\$0.055 (equivalent to approximately RMB0.046) per ordinary share for the year ended 30 June 2011. The final dividend, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 9 November 2011 ("AGM"), will be paid on or around Friday, 9 December 2011 to its equity shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 18 November 2011.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 15 November 2011 to Friday, 18 November 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Monday, 14 November 2011.

## **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 year ended 30 June 2011, 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.

## **AUDIT COMMITTEE**

The Group established its audit committee (the “Audit Committee”) on 25 August 2008 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises all three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor was appointed as the Chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2011.

## **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](http://www.hkexnews.hk) and the Company’s website at [www.chpag.net](http://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 Thursday, 3 November 2011 to Wednesday, 9 November 2011, 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 Wednesday, 2 November 2011.

## **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](http://www.hkexnews.hk) and on the Company's website at [www.chpag.net](http://www.chpag.net).

The consolidated annual financial results of the Group for the year ended 30 June 2011 have been reviewed by the Audit Committee and are extracted from the consolidated financial statements for the year ended 30 June 2011 to be included in the 2011 Annual Report.

The 2011 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](http://www.chpag.net) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

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

Hong Kong, 26 September 2011

*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.*