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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)

APPOINTMENT OF INDEPENDENT PROFESSIONAL ADVISORS

The Board wishes to announce that, in addressing the alleged inconsistencies identified by KPMG between the information contained in the Group's accounting records and the information independently obtained by KPMG after issue of the Annual Results Announcement, on 22 February 2012, the Special Committee has appointed Zhonglei Risk Advisory Services Limited to perform an independent review and investigation so as to assist the Special Committee to evaluate the impact in relation to the disclaimer of opinion of scope limitation in the Auditor's Report issued by KPMG. The Board believes that the Audit Issues can be clarified through the conducting of the Independent Review and Investigation.

The Board also announces that, on 22 February 2012, the Special Committee has appointed Pan-China (H.K.) CPA Limited to perform a special audit on the consolidated financial statements of the Group for the year ended 30 June 2011. The Board believes that, after the Special Audit conducted by Pan-China (H.K.) CPA Limited, Pan-China (H.K.) CPA Limited would be able to give an opinion whether such consolidated financial statements give a true and fair view.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended with effect from 2:17 p.m. on Thursday, 27 October 2011 and shall continue to be suspended pending the release of an announcement of the Company regarding the completion and result of the Independent Review and Investigation and the Special Audit.

Reference is made to the announcement of China High Precision Automation Group Limited dated 26 September 2011 in relation to the annual results of the Group for the year ended 30 June 2011 (the "Annual Results Announcement") and the clarification announcement in respect of the annual results for the year ended 30 June 2011 dated 27 October 2011 (the "Clarification Announcement"). Terms used in this announcement shall have the same meanings as those defined in the Annual Results Announcement and the Clarification Announcement unless the contexts herein require otherwise.

BACKGROUND

The Board wishes to announce that, in addressing the alleged inconsistencies identified by KPMG between the information contained in the Group's accounting records and the information independently obtained by the Company's former auditors, KPMG (the "Audit Issues") after issue of the Annual Results Announcement, on 18 November 2011, an independent special committee (the "Special Committee") comprising all independent non-executive Directors was established to evaluate the impact in relation to the disclaimer of opinion of scope limitation in the Auditor's Report issued by KPMG and to take appropriate measures to facilitate the public being provided with timely and sufficient information regarding the Audit Issues.

APPOINTMENT OF INDEPENDENT PROFESSIONAL ADVISORS

On 22 February 2012, the Special Committee appointed Zhonglei Risk Advisory Services Limited, an independent professional advisor to perform an independent review and investigation so as to assist Special Committee to evaluate the impact in relation to the disclaimer of opinion of scope limitation in the Auditor's Report issued by KPMG (the "Independent Review and Investigation"). The engagement will be performed in accordance with Hong Kong Standard on Related Services 4400 "*Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*".

Whilst the scope of the Independent Review and Investigation involves, in respect of the Audit Issues, an independent general review of the affairs and operations of the Group, of the state of conditions and reliability of its accounting books and records, to carry out an investigation of the issues raised by KPMG, and to make a report of findings to the Company through the Special Committee.

Zhonglei Risk Advisory Services Limited and its ultimate beneficial owner(s) are, to the best of knowledge, information and belief and having made all reasonable enquiries by the Directors, third parties independent of the Company and its connected persons.

Reports of findings following completion of the Independent Review and Investigation will be made to the Company through the Special Committee. The preliminary draft of the report of findings in respect of the Independent Review and Investigation is expected to be available in or about late March 2012 or such date as may be mutually agreed between Zhonglei Risk Advisory Services Limited and the Company.

The Board believes that the Audit Issues can be clarified through the conducting of the Independent Review and Investigation.

On 22 February 2012, the Special Committee also appointed Pan-China (H.K.) CPA Limited, certified public accountants, to perform a special audit on the consolidated financial statements of the Group for the year ended 30 June 2011 in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("Special Audit") as to whether the consolidated financial statements of the Group for the year ended 30 June 2011 give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. For the avoidance of doubt, the appointment of Pan-China (H.K.) CPA Limited will not constitute an appointment of auditor in carrying out annual audit works under the Articles of Association of the Company.

Pan-China (H.K.) CPA Limited and its ultimate beneficial owner(s) are, to the best of knowledge, information and belief and having made all reasonable enquiries by the Directors, third parties independent of the Company and its connected persons.

A special audit report for the year ended 30 June 2011 will be made to the Company through the Special Committee following completion of the Special Audit. The preliminary draft of the special audit report is expected to be available in late March 2012 or such date as may be mutually agreed between Pan-China (H.K.) CPA Limited and the Company.

The Board believes that, after the Special Audit conducted by Pan-China (H.K.) CPA Limited, Pan-China (H.K.) CPA Limited would be able to give an opinion whether the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance disclosure requirements.

The Board reiterates that all information and figures contained in the Annual Results Announcement are correct in all material respects. The Board further confirms that the annual results of the Group for the year ended 30 June 2011 are accurate and reliable in all respects.

The Company shall continue to keep its shareholders informed of the progress of the Independent Review and Investigation and the Special Audit by making further announcement as and when appropriate.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended with effect from 2:17 p.m. on Thursday, 27 October 2011 and shall continue to be suspended pending the release of an announcement of the Company regarding the completion and result of the Independent Review and Investigation and the Special Audit.

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

Hong Kong, 22 February 2012

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