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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 2020 (the “Period”) together with the comparative figures for the corresponding period in 2019 and the relevant explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31 December 2020 — unaudited
(Expressed in Renminbi Yuan)

	<i>Note</i>	Six months ended	
		31 December	2019
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	53,326	66,052
Cost of sales		<u>(52,702)</u>	<u>(65,875)</u>
Gross profit		624	177
Other income	4	5,697	3,608
Other gain/(loss), net	4	4,725	(1,175)
Distribution costs		(1,401)	(1,527)
Administrative expenses		(20,751)	(19,419)
Impairment of trade receivables		<u>(2,429)</u>	<u>(1,219)</u>
Loss from operations		(13,535)	(19,555)
Finance costs — Interest on lease liabilities		<u>(68)</u>	<u>(108)</u>
Loss before taxation	5	(13,603)	(19,663)
Income tax	6	<u>—</u>	<u>—</u>
Loss for the period attributable to equity shareholders of the Company		<u>(13,603)</u>	<u>(19,663)</u>
Loss per share (RMB cents)			
— basic	7	(1.31)	(1.90)
— diluted	7	<u>(1.31)</u>	<u>(1.90)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*For the six months ended 31 December 2020 — unaudited
(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company	(13,603)	(19,663)
Other comprehensive (expenses)/income for the period, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	<u>(4,784)</u>	<u>1,282</u>
Total comprehensive expenses for the period attributable to equity shareholders of the Company	<u>(18,387)</u>	<u>(18,381)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 — unaudited

(Expressed in Renminbi Yuan)

		As at 31 December 2020	As at 30 June 2020
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		271,637	291,221
Right-of-use assets		8,948	9,743
Investment properties		37,199	37,199
Deposits for the purchase of property, plant and equipment		63	261
Financial assets at fair value through other comprehensive income		5,816	5,816
Deferred tax assets		11,966	11,966
		<u>335,629</u>	<u>356,206</u>
Current assets			
Inventories		46,865	41,069
Trade and other receivables	9	55,162	25,234
Cash and cash equivalents		1,434,420	1,462,143
		1,536,447	1,528,446
Current liabilities			
Trade and other payables	10	62,297	55,521
Lease liabilities		935	1,190
Provision for warranties		344	459
		63,576	57,170
Net current assets		1,472,871	1,471,276
Total assets less current liabilities		1,808,500	1,827,482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2020 — unaudited**(Expressed in Renminbi Yuan)*

	As at 31 December 2020 RMB'000 (Unaudited)	As at 30 June 2020 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	989	1,584
Deferred tax liabilities	<u>18,180</u>	<u>18,180</u>
	<u>19,169</u>	<u>19,764</u>
NET ASSETS	<u>1,789,331</u>	<u>1,807,718</u>
CAPITAL AND RESERVES		
Share capital	91,360	91,360
Reserves	<u>1,697,971</u>	<u>1,716,358</u>
TOTAL EQUITY	<u>1,789,331</u>	<u>1,807,718</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2020 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Surplus reserve	Other reserve	Revaluation reserve	Fair value through other comprehensive income reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2019	91,360	941,077	181,790	2,982	2,986	(356)	(19,383)	693,900	1,894,356
Changes in equity for the year ended 30 June 2020:									
Loss for the year	—	—	—	—	—	—	—	(87,940)	(87,940)
Other comprehensive income									
Currency translation differences	—	—	—	—	—	—	2,451	—	2,451
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,149)	—	—	(1,149)
Total comprehensive expenses	—	—	—	—	—	(1,149)	2,451	(87,940)	(86,638)
Balance at 30 June 2020 and 1 July 2020	91,360	941,077	181,790	2,982	2,986	(1,505)	(16,932)	605,960	1,807,718
Changes in equity for the six months ended 31 December 2020:									
Loss for the Period	—	—	—	—	—	—	—	(13,603)	(13,603)
Other comprehensive expenses	—	—	—	—	—	—	(4,784)	—	(4,784)
Total comprehensive expenses	—	—	—	—	—	—	(4,784)	(13,603)	(18,387)
Balance at 31 December 2020	91,360	941,077	181,790	2,982	2,986	(1,505)	(21,716)	592,357	1,789,331

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2020 — unaudited**(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operations	(28,689)	(3,630)
PRC income tax paid	—	—
	<hr/>	<hr/>
Net cash used in operating activities	(28,689)	(3,630)
Net cash generated from investing activities	1,701	4,510
Net cash used in financing activities	(735)	(887)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(27,723)	(7)
Cash and cash equivalents at beginning of the period	1,462,143	1,438,811
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,434,420	1,438,804
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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 26 February 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 2020 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 28 September 2020.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new standards, amendments and interpretations that are first effective, available for early adoption or not yet mandatorily effective for the current accounting period of the Group. Of these, the following developments may be relevant to the Group:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8 HKFRS 17	Definition of Material ¹ Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Conceptual Framework	Amendments to References to the Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for annual periods beginning on or after 1 June 2020

Management is in the process of making an assessment of the impact of these new standards and amendments in the period of initial application. These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

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.

Disaggregation of the Group's revenue from contracts with customers for the year by major products line and reconciliation of total revenue is as follows:

	Six months ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers:		
Sales of automation instrument and technology products	52,638	61,055
Sales of horological instruments	688	4,997
	<u>53,326</u>	<u>66,052</u>

During the Period, all the revenue from contracts with customers is recognised at a point in time.

4. OTHER INCOME AND OTHER GAIN/(LOSS), NET

	Six months ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	2,195	2,179
Rental income	2,015	1,409
Government grants	1,118	—
Reversal of provision for warranties	115	—
Service income	35	20
Sundry income	219	—
	<u>5,697</u>	<u>3,608</u>
Other gain/(loss), net		
Net foreign exchange gain/(loss)	4,796	(1,425)
Loss on disposal of property, plant and equipment	(71)	(124)
Gain on disposal of investment properties	—	374
	<u>4,725</u>	<u>(1,175)</u>

5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	25	867
Salaries, wages and other benefits	18,239	18,227
	<u>18,264</u>	<u>19,094</u>

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the “Defined Contribution 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 16% (2019: 18%) of the eligible employees’ salaries to the Defined Contribution 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 Defined Contribution Scheme.

The Group maintains a mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employee’s contributions to the MPF Scheme are based on 5% of the employees’ relevant income (up to a cap of monthly relevant income of HK\$30,000) 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	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
(b) Other items:		
Depreciation of property, plant and equipment	19,914	21,448
Depreciation of right-of-use assets	795	812
Amortisation	—	113
Research and development costs	2,706	3,022
Provision for warranties	—	45
Operating lease charges in respect of properties	—	303
Expenses relating to short-term leases	330	—
Cost of inventories sold	52,702	65,875
	<u><u>52,702</u></u>	<u><u>65,875</u></u>

6. INCOME TAX

	Six months ended 31 December	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Current period	—	—
Deferred tax		
Current period	—	—
	<u><u>—</u></u>	<u><u>—</u></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 Period (unaudited) (six months ended 31 December 2019: Nil (unaudited)).
- (iii) No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current period.

- (iv) 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. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB13,603,000 (unaudited) (six months ended 31 December 2019: RMB19,663,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2019: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 31 December 2020 of RMB13,603,000 (unaudited) (six months ended 31 December 2019: loss of RMB19,663,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options. For the six months ended 31 December 2020 and 31 December 2019, diluted loss per share was equal to the basic loss per share as there was no dilutive potential share outstanding.

	Six months ended 31 December	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic)	1,037,500	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	N/A*	—
Weighted average number of ordinary shares (diluted)	<u>1,037,500</u>	<u>1,037,500</u>

* The share option scheme expired on 13 November 2019.

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.

<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 (loss)/profit is "adjusted (loss)/profit from operations". To arrive at reportable segment (loss)/profit, the Group's (loss)/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 (loss)/profit from operations, management is provided with segment information concerning revenue, additions to non-current segment assets, depreciation and amortisation and allowance for doubtful debt.

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 2020 and 2019 is set out below.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	<u>52,638</u>	<u>61,055</u>	<u>688</u>	<u>4,997</u>	<u>53,326</u>	<u>66,052</u>
Reportable segment loss (adjusted loss from operations)	<u>(7,686)</u>	<u>(8,956)</u>	<u>(6,089)</u>	<u>(8,193)</u>	<u>(13,775)</u>	<u>(17,149)</u>
	Automation instrument and technology products		Horological instruments		Total	
	At	At	At	At	At	At
	31 December	30 June	31 December	30 June	31 December	30 June
	2020	2020	2020	2020	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	<u>263,212</u>	<u>245,069</u>	<u>81,235</u>	<u>81,860</u>	<u>344,447</u>	<u>326,929</u>
Addition to non-current segment assets during the six months ended 31 December 2020/year	<u>278</u>	<u>673</u>	<u>—</u>	<u>114</u>	<u>278</u>	<u>787</u>
Reportable segment liabilities	<u>19,372</u>	<u>14,648</u>	<u>2,009</u>	<u>854</u>	<u>21,381</u>	<u>15,502</u>

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

	Six months ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	<u>53,326</u>	<u>66,052</u>
Consolidated turnover	<u><u>53,326</u></u>	<u><u>66,052</u></u>
	Six months ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss)/Profit		
Reportable segment loss	(13,775)	(17,149)
Unallocated head office and corporate profit/(loss)	<u>172</u>	<u>(2,514)</u>
Consolidated loss before taxation	<u><u>(13,603)</u></u>	<u><u>(19,663)</u></u>
	At	At
	31 December	30 June
	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	344,447	326,929
Unallocated head office and corporate assets	<u>1,527,629</u>	<u>1,557,723</u>
Consolidated total assets	<u><u>1,872,076</u></u>	<u><u>1,884,652</u></u>
	At	At
	31 December	30 June
	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Liabilities		
Reportable segment liabilities	21,381	15,502
Unallocated head office and corporate liabilities	<u>61,364</u>	<u>61,432</u>
Consolidated total liabilities	<u><u>82,745</u></u>	<u><u>76,934</u></u>

9. 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 2020 <i>RMB'000</i> (Unaudited)	At 30 June 2020 <i>RMB'000</i> (Audited)
Neither past due nor impaired (current)	53,442	22,914
Less than 1 month past due	<u>—</u>	<u>—</u>
Trade receivables, net of allowance for doubtful debts	53,442	22,914
Prepayments and other receivables	<u>1,720</u>	<u>2,320</u>
	<u><u>55,162</u></u>	<u><u>25,234</u></u>

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

10. TRADE AND OTHER PAYABLES

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

	At 31 December 2020 <i>RMB'000</i> (Unaudited)	At 30 June 2020 <i>RMB'000</i> (Audited)
Due within 1 month or on demand	15,860	8,697
Due after 1 month but within 3 months	538	2,014
Due after 3 months but within 6 months	434	124
Over 6 months	<u>496</u>	<u>212</u>
Total trade payables	17,328	11,047
Other payables and accruals	<u>44,969</u>	<u>44,474</u>
	<u><u>62,297</u></u>	<u><u>55,521</u></u>

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

11. DIVIDENDS

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

	Six months ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2019: Nil (unaudited) per ordinary share)	—	—
	<u> </u>	<u> </u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

The principal business of the Company is the research and development, manufacture and sales of automation instruments. During the six months ended 31 December 2020 (the “Period”), the impact of Coronavirus Disease 2019 (“COVID-19”) and sluggish downstream demand have caused a relatively big impact on the market demand and intensified the competing environment encountered by the Company.

During the Period, the Company accurately benchmarked itself against the international advanced level by focusing on localization and intelligence. The Company aimed at the production characteristics of “small-batch, multi-variety”, continued to build and upgrade the intelligent manufacturing platform with made-in-batch, customized production capacity and which is flexible in switching, and strengthened control on process quality, which effectively improved reliability and stability of the products. With advanced technical capabilities and reliable quality of the product, the Company continued to win recognition from its customers during the Period.

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 approximately RMB52,638,000 (six months ended 31 December 2019: approximately RMB61,055,000), representing approximately 98.7% (six months ended 31 December 2019: approximately 92.4%) 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 loss of this business segment was approximately RMB7,686,000 for the Period as compared to that of approximately RMB8,956,000 for the corresponding period in 2019.

Horological instruments

Sales of horological instruments amounted to approximately RMB688,000 (six months ended 31 December 2019: approximately RMB4,997,000), representing approximately 1.3% (six months ended 31 December 2019: approximately 7.6%) of the Group’s total turnover during the Period. This segment recorded reportable segment loss of approximately RMB6,089,000 for the period as compared to that of approximately RMB8,193,000 for the corresponding period in 2019.

MANUFACTURING FACILITIES

The Group has large-scale production facilities 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) and 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 meters.

The Group had no material expansion plan during the Period. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

PROSPECTS

The manufacturing industry of devices for industrial automation control systems that the Company belongs to is an important branch of the instrument industry, spanning the fields of equipment manufacturing and electronic information. Its major products are installed in the production equipment of industrial enterprises on site and are the primary means and measures for automatic measurement and control in the course of production. With the economic and social development, improvement of people's livelihood, and transformation and upgrade of various industries in China, these factors will promote the upgrading of holistic automation level of the manufacturing industry in China, providing a broader development prospect for the industry in the long run.

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and region. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on business operations of the Group.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB53,326,000 for the Period (six months ended 31 December 2019: approximately RMB66,052,000), representing a decrease of approximately 19.3% as compared to that of the corresponding period in 2019. The decrease is mainly due to the decrease in sales of industrial automation instrument products and horological instruments during the Period. The Group is adversely affected by the sluggish global economy and the COVID-19 outbreak which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent decrease in market demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB624,000 (six months ended 31 December 2019: approximately RMB177,000) and approximately RMB13,535,000 (six months ended 31 December 2019: approximately RMB19,555,000) respectively. The increase in gross profit is mainly due to the result of adoption of a series of new product design for automation instrument and technology products which effectively lowered the raw material costs.

The segment of automation instrument and technology products recorded a gross profit for the Period. It is mainly due to the result of adoption of a series of new product design which effectively lowered the raw material costs.

The segment of horological instruments suffered a gross loss for the Period while the average unit selling price slightly increased from RMB1.10 for the six months ended 31 December 2019 to RMB1.24 for the Period. 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 suffered a loss from operations.

Net loss

The loss attributable to equity shareholders of the Company for the Period was approximately RMB13,603,000, as compared to that of approximately RMB19,663,000 for the corresponding period in 2019. It was mainly due to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Period were RMB1.31 cents (six months ended 31 December 2019: both RMB1.90 cents).

Capital Structure, Liquidity and Financial Resources

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

As at 31 December 2020, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,434,420,000 (30 June 2020: approximately RMB1,462,143,000), approximately RMB1,472,871,000 (30 June 2020: approximately RMB1,471,276,000) and approximately RMB1,808,500,000 (30 June 2020: approximately RMB1,827,482,000) respectively.

Borrowings

As at 31 December 2020, the Group had no bank borrowings (30 June 2020: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2020 decreased by approximately RMB18,387,000 to approximately RMB1,789,331,000 (30 June 2020: approximately RMB1,807,718,000).

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 2020 was approximately 0.05 (30 June 2020: approximately 0.04).

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 2020, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$183 million were used for research and development efforts;
3. Approximately HK\$44 million were used for network development and sales support services; and
4. Approximately HK\$4 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

The Group held no significant investment during the Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Period.

EMPLOYEES

As at 31 December 2020 the Group employed a total of 500 employees (30 June 2020: 529). 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 approximately RMB18,264,000 (six months ended 31 December 2019: approximately RMB19,094,000). Training activities are provided to staff, which included new employees orientation, technical training, professional skill enhancement training, safety training, external classes, regular voluntary firemen training, training seminars and expat training.

CHARGE ON ASSETS

As at 31 December 2020, the Group did not have any charges on its assets (30 June 2020: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

The Group had no future plans for material investments or capital assets as at 31 December 2020.

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 Period and will continue to closely monitor such risk exposures from time to time.

CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital expenditure contracted for but not provided in the interim financial results amounted to approximately RMB24,000 (30 June 2020: approximately RMB25,000).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (30 June 2020: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2020

There was no important events affecting the Group which have occurred during the period from 1 January 2021 to the date of this announcement.

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 all material code provisions stipulated in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Period, except for the deviation from code provision A.2.1 of the Code as described below.

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive 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 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 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

The Company has adopted 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

As at 31 December 2020 and the date of this announcement, the remuneration committee of the Board (the "Remuneration 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 is its chairman. The Remuneration Committee is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company 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. As at 31 December 2020 and the date of this announcement, 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 is its chairman.

AUDIT COMMITTEE

The Board 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. As at 31 December 2020 and the date of this announcement, the Audit 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 is its Chairman.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results for the six months ended 31 December 2020, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The Audit Committee considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2020 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 the Company at www.chpag.net. The interim financial report of the Company for the six months ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched 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, 26 February 2021

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.