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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 2022

HIGHLIGHTS

1. Turnover increased by approximately 8%;
2. Loss from operations increased by approximately 31%;
3. Loss attributable to owners of the Company increased by approximately 39%; and
4. Both basic and diluted loss per share were RMB3.46 cents.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 June 2022 (the “Year”), together with the comparative figures for the preceding financial year ended 30 June 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	3	138,344	128,079
Cost of sales and services rendered		<u>(105,903)</u>	<u>(117,138)</u>
Gross profit		32,441	10,941
Other income		10,655	9,692
Other (loss)/gain, net		(784)	5,313
Distribution costs		(2,963)	(2,779)
Administrative expenses		(60,783)	(43,631)
Fair value loss on investment properties		(3,792)	(663)
Write-down on inventories		(12,134)	(1,212)
Reversal of impairment loss/(impairment loss) on trade receivables recognised under expected credit loss model		<u>2,087</u>	<u>(4,685)</u>
Loss from operations		(35,273)	(27,024)
Finance costs	5	<u>(69)</u>	<u>(120)</u>
Loss before taxation	6	(35,342)	(27,144)
Income tax (expense)/credit	7	<u>(542)</u>	<u>1,244</u>
Loss for the year attributable to owners of the Company		<u><u>(35,884)</u></u>	<u><u>(25,900)</u></u>
Loss per share (RMB cents)	9		
— basic and diluted		<u><u>(3.46)</u></u>	<u><u>(2.50)</u></u>

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

For the year ended 30 June 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year attributable to owners of the Company	(35,884)	(25,900)
Other comprehensive income/(expense) for the year, net of tax		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation	22,343	(82,934)
Fair value change in financial assets at fair value through other comprehensive income	296	(1,500)
	22,639	(84,434)
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(21,687)	77,545
Other comprehensive income/(expense) for the year	952	(6,889)
Total comprehensive expense for the year attributable to owners of the Company	(34,932)	(32,789)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		237,047	262,809
Right-of-use assets		7,659	8,474
Investment properties		32,744	36,536
Deposits for the purchase of property, plant and equipment		276	276
Financial assets at fair value through other comprehensive income		4,401	4,052
Deferred tax assets		12,882	13,710
		295,009	325,857
Current assets			
Inventories		20,367	38,455
Trade and other receivables	10	72,632	77,048
Cash and cash equivalents		1,433,668	1,418,120
		1,526,667	1,533,623
Current liabilities			
Trade and other payables	11	62,227	64,124
Lease liabilities		545	1,041
Provision for warranties		559	427
		63,331	65,592
Net current assets		1,463,336	1,468,031
Total assets less current liabilities		1,758,345	1,793,888

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities		
Lease liabilities	165	543
Deferred tax liabilities	18,183	18,416
	<u>18,348</u>	<u>18,959</u>
NET ASSETS	<u>1,739,997</u>	<u>1,774,929</u>
CAPITAL AND RESERVES		
Share capital	91,360	91,360
Reserves	1,648,637	1,683,569
TOTAL EQUITY	<u>1,739,997</u>	<u>1,774,929</u>

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal business of the Company is Room 703, 7/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of and provision of consigned processing services on high precision industrial automation instrument and technology products, and manufacturing and selling of multi-functional all plastic quartz watch movements.

The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollars (“HK\$”), and the functional currency of the Company’s subsidiary in Fujian Province, the People’s Republic of China (the “PRC”) is Renminbi (“RMB”). The consolidated financial statements of the Group are presented in RMB, rounded to the nearest thousand as the major subsidiary of the Group is operating in the PRC and the management of the Company controls and monitors the performance and financial position of the Group by using RMB.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2 APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2021 for the preparation of the consolidated financial statements.

Amendments to HKFRS 9, Interest Rate Benchmark Reform — Phase 2

HKAS 39, HKFRS 7,

HKFRS 4 and HKFRS 16

Amendments to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current period had no material impact on the Group’s financial positions and performance for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual improvement to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 REVENUE

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

Types of goods	Segments	2022	2021
		RMB'000	RMB'000
Sales of automation instrument and technology products	Automation instrument and technology products	131,763	120,017
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	3,005	2,494
Sales of horological instruments	Horological instruments	3,576	5,568
Goods and services		<u>138,344</u>	<u>128,079</u>

During the years ended 30 June 2022 and 2021, all the revenue from contracts with customers is recognised at a point in time.

4 SEGMENT REPORTING

The following is an analysis of the Group's revenue and results by operating and reportable segments under HKFRS 8 Operating Segments, based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

Automation instrument and technology products: the manufacturing and selling of and provision of consigned processing services on intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments

Horological instruments: the manufacturing and selling of multi-functional all-plastic quartz watch movements

(a) Segment results

Segment results represent the loss of each segment without allocation of unallocated bank interest income and other income, unallocated corporate expenses, change in fair value on investment properties, unallocated finance costs and income tax expenses or credit. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

	Automation instrument and technology products		Horological instruments		Total	
	2022	2021	2022	2021	2022	2021
	<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>134,768</u>	<u>122,511</u>	<u>3,576</u>	<u>5,568</u>	<u>138,344</u>	<u>128,079</u>
Reportable segment loss	<u>(10,949)</u>	<u>(27,552)</u>	<u>(21,197)</u>	<u>(2,919)</u>	<u>(32,146)</u>	<u>(30,471)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2021: Nil).

(b) Reconciliations of reportable segment revenue and profit or loss

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>138,344</u>	<u>128,079</u>
Revenue	<u><u>138,344</u></u>	<u><u>128,079</u></u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit or loss		
Reportable segment loss	(32,146)	(30,471)
Bank interest income	4,282	4,333
Fair value loss on investment properties	(3,792)	(663)
Finance cost	(39)	(120)
Unallocated head office and corporate income	6,338	9,374
Unallocated head office and corporate expenses	<u>(9,985)</u>	<u>(9,597)</u>
Loss before taxation	(35,342)	(27,144)
Income tax (expense)/credit	<u>(542)</u>	<u>1,244</u>
Loss for the year	<u><u>(35,884)</u></u>	<u><u>(25,900)</u></u>

(c) Geographical segments

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered or the services were rendered.

	Revenues from external customers	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC (excluding Hong Kong)	138,314	127,998
Others	<u>30</u>	<u>81</u>
	<u><u>138,344</u></u>	<u><u>128,079</u></u>

5 FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expense on financial liabilities not at fair value through profit or loss:		
Interest on lease liabilities	<u>69</u>	<u>120</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of:		
— property, plant and equipment	23,986	28,945
— right-of-use assets	1,017	1,256
Auditor's remuneration		
— Audit services	1,761	1,800
— Non-audit services	58	—
Cost of inventories sold and services rendered	<u>105,903</u>	<u>117,138</u>

7 INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit in the consolidated statement of profit or loss represents:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Current year	—	—
Deferred tax		
(Charged)/credited to profit or loss	<u>(542)</u>	<u>1,244</u>
	<u>(542)</u>	<u>1,244</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made for both years as the Group does not have assessable profits in Hong Kong.

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

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%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. (“Fujian Wide Plus”) was recognised as an ANTE as approved by the relevant authorities. No provision for taxation in the PRC has been made as the Group sustained a tax loss for the years ended 30 June 2022 and 2021.

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 till 30 June 2009 to the extent that the profits are likely to be distributed in the foreseeable future.

8 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the years ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB35,884,000 (2021: approximately RMB25,900,000) and the weighted average number of 1,037,500,000 ordinary shares (2021: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

For the years ended 30 June 2022 and 2021, there was no dilutive potential ordinary share outstanding. Therefore, the dilutive loss per share is the same as the basic loss per share.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for impairment losses of RMB6,120,000 (2021: RMB8,207,000), of RMB70,223,000 (2021: RMB75,240,000) and an aged analysis based on invoice date at the end of the reporting period, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–60 days	27,701	29,689
61–120 days	22,819	22,930
121–180 days	19,703	22,585
Over 180 days	—	36
	<hr/> 70,223 <hr/>	<hr/> 75,240 <hr/>

The Group generally grants credit periods ranging from 120 days to 180 days (2021: 120 days to 180 days) from the date of billing to its customers. No interest or collateral is charged on the trade receivables.

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB19,579,000 (2021: RMB20,696,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	9,055	10,372
31–90 days	9,800	9,483
91–180 days	61	82
Over 180 days	663	759
	<hr/> 19,579 <hr/>	<hr/> 20,696 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As of 30 June 2022, the Group's principal businesses are still the research and development, manufacture and sales of automation instruments. The impact of the COVID-19 pandemic on the Group and its upstream and downstream enterprises has brought greater pressure on the Group's market expansion.

During the Year, the overall environment of the instrument industry is still full of uncertainties, in particular, under the continuous impact of the global COVID-19 pandemic, the upstream and downstream of the entire industry were affected to a certain extent. The Group has strived to overcome the adverse impact brought by the COVID-19 pandemic, fully leveraged on the advantages of the Group's products, technologies and brands in the industry, done its best in marketing and sales promotion, and actively sought new growth opportunities. The Group also continued to gain the recognition of customers by virtue of its advanced technical strength and reliable product quality.

There were no important events affecting the Group which have occurred since the end of the Year.

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 RMB134,768,000 (2021: approximately RMB122,511,000), representing approximately 97.4% (2021: approximately 95.7%) 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. This segment recorded reportable segment loss of approximately RMB10,949,000, as compared to that of approximately RMB27,552,000 in 2021.

Horological instruments

Sales of horological instruments were approximately RMB3,576,000 (2021: approximately RMB5,568,000), which accounts for approximately 2.6% (2021: approximately 4.3%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB21,197,000, as compared to that of approximately RMB2,919,000 in 2021. The increase is mainly due to write-down of inventories of approximately RMB12,134,000 (2021: approximately RMB1,212,000) under the intense market competition of horological instruments segment.

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 People's Republic of China (the "PRC"), covering a total site area of approximately 47,665 square meters.

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

PROSPECTS

The industrial automation control system devices manufacturing industry in which the Group operates is an important branch of the instrument industry. It is an important technical means and support for industrial modernization, and the products are widely used in key national economic industries such as petrochemical, metallurgy, electric power, coal, light industrial building materials, municipal utilities, environmental protection as well as new energy.

Benefiting from the continuous recovery of the national economy and the adjustment of the industrial structure, the petrochemical, metallurgy, light industrial building materials and other markets have generally operated well. The number of large-scale advanced production capacity projects has increased, gradually forming an upsizing, integrated, centralized and scale development pattern, providing a promising market prospect for the benign development of the industry.

The Group will improve the technology level and quality of its products, increase its marketing efforts, expand on the downstream fields and enhance its service system, such that there will be continuous progress in its products, management and services, which will boost the market competitiveness of the Group.

Since 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 regions. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the business operations of the Group.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB138,344,000 for the Year (2021: approximately RMB128,079,000), representing an increase of about 8% as compared to that of last year. The increase is mainly due to the increase in sales of automation instrument and technology products. Nevertheless, the Group remains adversely affected by the sluggish global economy and the COVID-19 pandemic 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 Year, the Group's gross profit and loss from operations amounted to approximately RMB32,441,000 (2021: approximately RMB10,941,000) and approximately RMB35,273,000 (2021: approximately RMB27,024,000) respectively. The increase in gross profit is mainly due to the increase in sales of automation instrument and technology products and improvements made on the production to enhance the gross profit margin. The loss from operations included approximately RMB2,087,000 (2021: approximately RMB4,685,000 impairment loss on trade receivables) and RMB12,134,000 (2021: approximately RMB1,212,000) in relation to reversal of impairment loss on trade receivables and write-down on inventories respectively.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB32,778,000 for the Year, as compared to that of approximately RMB11,048,000 in 2021. It is mainly due to the increase in sales and 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 of approximately RMB337,000 for the Year, as compared to that of approximately RMB107,000 in 2021. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

Accordingly, during the Year, the Group suffered a loss from operations.

Loss attributable to owners of the Company

The loss attributable to owners of the Company (the "Shareholders") for the Year was approximately RMB35,884,000, as compared to that of approximately RMB25,900,000 in 2021. It was mainly attributable to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Year were RMB3.46 cents (2021: both RMB2.50 cents).

Capital structure, liquidity and financial resources

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

As at 30 June 2022, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,433,668,000 (30 June 2021: approximately RMB1,418,120,000), approximately RMB1,463,336,000 (30 June 2021: approximately RMB1,468,031,000) and approximately RMB1,758,345,000 (30 June 2021: approximately RMB1,793,888,000) respectively.

Borrowings

As at 30 June 2022, the Group had no bank borrowings (30 June 2021: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2022 decreased by approximately RMB34,932,000 to approximately RMB1,739,997,000 (30 June 2021: approximately RMB1,774,929,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2022 was approximately 0.05 (30 June 2021: approximately 0.05).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK\$1,043,000,000 (the "Net Proceeds") will mainly be utilised 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 2022, the Group has utilised 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\$194 million were used for research and development efforts;
3. Approximately HK\$45 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 had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 30 June 2022, the Group employed a total of 467 employees (30 June 2021: 489). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB38,276,000 (2021: approximately RMB34,720,000).

CHARGE ON ASSETS

As at 30 June 2022, the Group did not have any charges on its assets (30 June 2021: 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 30 June 2022.

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 against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Year and will continue to closely monitor such risk exposures from time to time.

CAPITAL COMMITMENT

As at 30 June 2022, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMBNil (30 June 2021: approximately RMB22,000).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (30 June 2021: Nil).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2021: Nil).

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 Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) during the Year, except for the deviation from the Code Provision A.2.1 of the Code as described below.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and this 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 on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

REMUNERATION COMMITTEE

The Group established its remuneration committee (the “Remuneration Committee”) since 2008 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration 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 is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

The Group established its audit committee (the "Audit Committee") since 2008 with written terms of reference 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 Group's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming annual general meeting of the Company ("AGM") will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chpag.cn.

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Monday, 12 December 2022 to Friday, 16 December 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2022.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chpag.cn.

The annual consolidated financial results of the Group for the Year have been reviewed by the Audit Committee and are extracted from the annual consolidated financial statements for the Year to be included in the 2022 annual report of the Company.

The 2022 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.cn and the Stock Exchange's website at www.hkexnews.hk 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, 30 September 2022

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.