



中國高精密自動化集團有限公司

CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 591



Interim Report

2016/17



DMU 60 *monoBLOCK*
DECKEL MAHO



Highlights

- » Turnover of the Group for the six months ended 31 December 2016 amounted to approximately RMB64,071,000, representing a decrease of approximately 28.5% as compared to that of approximately RMB89,606,000 for the corresponding period in 2015;
- » Loss from operations for the six months ended 31 December 2016 amounted to approximately RMB28,463,000, as compared to that of approximately RMB36,331,000 for the corresponding period in 2015;
- » Net loss attributable to equity shareholders of the Company for the six months ended 31 December 2016 amounted to approximately RMB28,463,000, as compared to that of approximately RMB36,408,000 for the corresponding period in 2015;
- » Basic and diluted loss per share were RMB2.74 cents and RMB2.74 cents respectively for the six months ended 31 December 2016;
- » Shareholders' equity amounted to RMB2,056,717,000 as at 31 December 2016;
- » The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Fun Chung (*Chairman and Chief Executive Officer*)
Mr. Zou Chong
Mr. Su Fang Zhong
Mr. Cheung Chuen

Independent Non-executive Directors

Mr. Chan Yuk Hiu, Taylor
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

AUDIT COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

REMUNERATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

NOMINATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

COMPANY SECRETARY

Mr. Cheung Chuen, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Cheung Chuen
Mr. Wong Fun Chung

REGISTERED OFFICE

Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

16 Xing Ye West Road,
Mawei Hi-Tech Development Zone,
Fuzhou 350015,
The PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 703, Jubilee Centre,
18 Fenwick Street,
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.chpag.net

AUDITOR

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong Laws
Fred Kan & Co.
Loeb & Loeb LLP

As to PRC Laws
Beijing Jinwo Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Co., Ltd.

STOCK CODE

591

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2016
(Expressed in Renminbi Yuan)

RESULTS

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2016 (the "Period") together with the comparative figures for the corresponding period in 2015 and the relevant explanatory notes as follows:

	Note	Six months ended 31 December	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Turnover	3	64,071	89,606
Cost of sales		(78,692)	(97,124)
Gross loss		(14,621)	(7,518)
Other income	4	4,031	4,434
Other gain/(loss)	4	3,861	(5,119)
Distribution costs		(1,435)	(2,519)
Administrative expenses		(20,299)	(25,609)
Loss from operations		(28,463)	(36,331)
Finance costs		—	—
Loss before taxation	5	(28,463)	(36,331)
Income tax	6	—	(77)
Loss for the period attributable to equity shareholders of the Company		(28,463)	(36,408)
Loss per share (RMB cents)			
— basic	7	(2.74)	(3.51)
— diluted	7	(2.74)	(3.51)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Loss for the period attributable to equity shareholders of the Company	(28,463)	(36,408)
Other comprehensive (expenses)/income for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC (excluding Hong Kong)	(4,342)	5,118
Total comprehensive loss for the period attributable to equity shareholders of the Company	(32,805)	(31,290)

Consolidated Statement of Financial Position

As at 31 December 2016
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2016 RMB'000 (Unaudited)	As at 30 June 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	498,842	521,406
Investment properties		49,725	51,801
Interests in leasehold land held for own use under operating leases		8,843	8,957
Deposits for the purchase of property, plant and equipment		63	184
Deferred tax assets		3,340	3,340
		560,813	585,688
Current assets			
Inventories		58,595	41,496
Trade and other receivables	10	75,878	78,333
Cash and cash equivalents		1,460,489	1,472,102
		1,594,962	1,591,931
Current liabilities			
Trade and other payables	11	78,190	66,916
Provision for warranties		499	812
		78,689	67,728
Net current assets		1,516,273	1,524,203
Total assets less current liabilities		2,077,086	2,109,891
Non-current liabilities			
Deferred tax liabilities		20,369	20,369
		20,369	20,369
NET ASSETS		2,056,717	2,089,522
CAPITAL AND RESERVES			
Share capital		91,360	91,360
Reserves		1,965,357	1,998,162
TOTAL EQUITY		2,056,717	2,089,522

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 July 2015	91,360	941,077	181,790	88,260	2,982	2,986	(28,029)	896,305	2,176,731
Changes in equity for the year ended 30 June 2016:									
Loss for the year	—	—	—	—	—	—	—	(94,180)	(94,180)
Other comprehensive income	—	—	—	—	—	—	6,971	—	6,971
Transfer of reserves upon lapse of share option	—	—	—	(88,260)	—	—	—	88,260	—
Total comprehensive expenses	—	—	—	(88,260)	—	—	6,971	(5,920)	(87,209)
Balance at 30 June 2016 and 1 July 2016	91,360	941,077	181,790	—	2,982	2,986	(21,058)	890,385	2,089,522
Changes in equity for the six months ended 31 December 2016:									
Loss for the period	—	—	—	—	—	—	—	(28,463)	(28,463)
Other comprehensive expenses	—	—	—	—	—	—	(4,342)	—	(4,342)
Total comprehensive expenses	—	—	—	—	—	—	(4,342)	(28,463)	(32,805)
Balance at 31 December 2016	91,360	941,077	181,790	—	2,982	2,986	(25,400)	861,922	2,056,717

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2016
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash (used in)/generated from operations	(13,853)	8,620
PRC income tax paid	—	—
Net cash generated from/(used in) operating activities	(13,853)	8,620
Net cash generated from investing activities	2,240	2,258
Net cash used in financing activities	—	—
Net (decrease)/increase in cash and cash equivalents	(11,613)	10,878
Cash and cash equivalents at beginning of the period	1,472,102	1,449,346
Cash and cash equivalents at end of the period	1,460,489	1,460,224

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report 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 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, 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 report 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 2016 annual financial statements. The condensed consolidated interim financial report 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 2016 that is included in the interim financial report 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 2016 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 26 September 2016.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new standards, amendments and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments may be relevant to the Group:

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Lease
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 10 and HKAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

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

The Group is in the process of making an assessment of what the impact of these new standards, amendments, and interpretations is expected to be in the period of initial application but is not yet in a position to state whether these new standards, amendments, and interpretations would have a significant impact on the Group's results of operations and financial position.

3. TURNOVER

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

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

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of automation instrument and technology products	56,392	65,920
Sales of horological instruments	7,679	23,686
	64,071	89,606

During the six months ended 31 December 2016, there was 1 customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2015: 1 (unaudited)).

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

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Other income		
Bank interest income	2,223	2,471
Reversal of provision for warranties	313	541
Reversal of provision for doubtful debts	154	—
Rental income	1,341	1,422
	4,031	4,434
Other net gain/(loss)		
Net foreign exchange gain/(loss)	3,907	(5,107)
Loss on disposal of property, plant and equipment	(46)	(12)
	3,861	(5,119)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	940	924
Salaries, wages and other benefits	18,827	19,895
	19,767	20,819

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 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(b) Other items:		
Depreciation	24,575	24,553
Amortisation	113	113
Research and development costs	2,495	2,385
Operating lease charges in respect of properties	1,101	1,031
Cost of inventories sold*	78,693	97,124

* Cost of inventories includes RMB32,542,000 (unaudited) (six months ended 31 December 2015: RMB33,910,000 (unaudited)) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

6. INCOME TAX

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax — PRC Income Tax		
Current period	—	—
Deferred tax		
Current period	—	77
	—	77

- (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 2015: Nil (unaudited)).

No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current period.

- (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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

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 RMB28,463,000 (unaudited) (six months ended 31 December 2015: RMB36,408,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2015: 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 2016 of RMB28,463,000 (unaudited) (six months ended 31 December 2015: loss of RMB36,408,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options, assuming they were exercised during the Period. For the six months ended 31 December 2016 and 31 December 2015, the share options had no dilutive effect as the average market price of ordinary shares during the periods did not exceed the exercise price of the options.

	Six months ended 31 December	
	2016 '000 (Unaudited)	2015 '000 (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	—	—
Weighted average number of ordinary shares (diluted)	1,037,500	1,037,500

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

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 2016 and 2015 is set out below.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Reportable segment revenue	56,392	65,920	7,679	23,686	64,071	89,606
Reportable segment loss (adjusted loss from operations)	(22,773)	(7,957)	(9,709)	(4,906)	(32,482)	(12,863)

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Reportable segment assets	474,319	472,929	160,290	172,271	634,609	645,200
Addition to non-current segment assets during the six months ended 31 December 2016/ year	110	140	—	—	110	140
Reportable segment liabilities	23,060	10,631	2,154	9,137	25,214	19,768

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING *(continued)*

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

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	64,071	89,606
Consolidated turnover	64,071	89,606
	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/Profit		
Reportable segment loss	(32,482)	(12,863)
Unallocated head office and corporate profit	4,019	(23,468)
Consolidated loss before taxation	(28,463)	(36,331)
	At	At
	31 December	30 June
	2016	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	634,609	645,200
Unallocated head office and corporate assets	1,521,166	1,532,419
Consolidated total assets	2,155,775	2,177,619

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Liabilities		
Reportable segment liabilities	25,214	19,768
Unallocated head office and corporate liabilities	73,844	68,329
Consolidated total liabilities	99,058	88,097

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016, the Group acquired items of property, plant and equipment amounting to RMB110,000 (unaudited) (six months ended 31 December 2015: RMB223,000 (unaudited)).

10. TRADE AND OTHER RECEIVABLES

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

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Neither past due nor impaired (current)	74,506	77,004
Less than 1 month past due	—	—
1 to 3 months past due	—	—
Trade receivables, net of allowance for doubtful debts	74,506	77,004
Prepayments and other receivables	1,372	1,329
	75,878	78,333

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

11. TRADE AND OTHER PAYABLES

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

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Due within 1 month or on demand	11,591	16,056
Due after 1 month but within 3 months	13,032	2,795
Due after 3 months but within 6 months	174	83
Over 6 months	1,097	454
Total trade payables	25,894	19,388
Other payables and accruals	52,296	47,528
	78,190	66,916

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

12. DIVIDENDS

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

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2015: Nil (unaudited) per ordinary share)	—	—

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS

(a) Operating leases

The Group as lessor

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Within 1 year	3,199	2,827
After 1 year but within 5 years	1,663	1,958
After 5 years	1,471	—
	6,333	4,785

The Group as lessee

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Within 1 year	2,285	1,706
After 1 year but within 5 years	5,526	4,917
After 5 years	1,082	1,551
	8,893	8,174

The Group is the lessee in respect of a number of properties held under operating leases. The lease of a property located in Hong Kong runs for an initial period of 2 years and the leases of land and properties located in the PRC run for an initial period of 5 to 15 years. The leases have options to renew when all terms are renegotiated. The leases do not include contingent rentals.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS (continued)

(b) Capital commitments

Capital commitments outstanding as at 31 December 2016 and not provided for in the interim financial report were as follows:

	At 31 December 2016 RMB'000 (Unaudited)	At 30 June 2016 RMB'000 (Audited)
Contracted for:		
— Acquisition of property, plant and equipment	309	309
Authorised but not contracted for		
— Acquisition of property, plant and equipment	57,059	57,167
	57,368	57,476

14. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 31 December	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Short-term employee benefits	1,629	1,711
Contribution to retirement benefit schemes	19	18
	1,648	1,729

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

As at 31 December 2016, China's annual GDP growth hit 6.7%. The Chinese economy, though, maintained its growth pace, the economic imbalance was apparently identifiable. China was undergoing significant adjustments after 3-decade economic boom, and overcapacity has been common in various traditional sectors such as power generation, petroleum and petrochemicals. The measures for "cutting capacity and destocking" addressing supply-demand imbalance taken by these industries caused changes and market pressure on the automation instrument industry, resulting in adverse impacts on the operating performance of the Company.

In view of intricate market conditions, the Company leveraged on the cutting edges of its research and development team to keep emphasizing on quality, services and brand and increasingly enhance the core competitiveness of the Company by technological innovation, in particular the investment in high precision silicon pressure transducers and high-end valves, and their accessories, in a bid to facilitate the development of industrial upgrade and secure technological advancement of the products of the Company.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the six months ended 31 December 2016 (the "Period"), sales of high precision industrial automation instrument and technology products amounted to approximately RMB56,392,000 (six months ended 31 December 2015: approximately RMB65,920,000), representing approximately 88.0% (six months ended 31 December 2015: approximately 73.6%) 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 RMB22,773,000 for the Period as compared to that of approximately RMB7,957,000 for the corresponding period in 2015.

Horological instruments

Sales of horological instruments amounted to approximately RMB7,679,000 (six months ended 31 December 2015: approximately RMB23,686,000), representing approximately 12.0% (six months ended 31 December 2015: approximately 26.4%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of approximately RMB9,709,000 as compared to that of approximately RMB4,906,000 for the corresponding period in 2015.

Management Discussion and Analysis

MANUFACTURING FACILITIES

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

As the utilization rate of the existing manufacturing facility (1st phase development) of the Group located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) has reached its maximum since 2008, the Group is in the process of expanding and upgrading its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square meters.

The 2nd phase development is solely for expansion of the Group's production capacity of its existing products. The factory on site commenced production in 2010 and reached its full-scale production capacity in June 2011; accordingly, the Group's production capacity of its existing products has been doubled as scheduled.

The 3rd phase development is solely for actuators, one of the Group's new products. The construction was completed in 2012. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

PROSPECTS

Profound changes were witnessed in global economy in 2016. With the launch of the National 13th Five-Year Plan, the PRC government has introduced structural adjustment of industries, supply-side reform and corresponding measures as well as "Made in China 2025", a strategic initiative of a great power. As a source of information industry, the development of industrial automation instruments and system has earned high recognition and great support from the PRC government, offering ample opportunities for traditional as well as emerging markets. The Company will promptly seize the opportunities arising from the government policies by carrying out detailed research on the Internet of Things solution for the industry, expanding the market of mid-to-high end automation products jointly with other industry players in a bid to enhance quality of product development and reliability of our products, and providing support to innovative and traditional manufacturing industries.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB64,071,000 for the Period (six months ended 31 December 2015: approximately RMB89,606,000), representing a decrease of approximately 28.5% as compared to that of the corresponding period in 2015. The decrease is mainly due to the adverse effect of the sluggish global economy which causes delay in commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries), persistent decrease in demand of both industrial automation instrument and technology products and horological instruments, and decrease in unit selling price of our products.

Management Discussion and Analysis

Gross loss and loss from operations

During the Period, the Group's gross loss and loss from operations amounted to approximately RMB14,621,000 (six months ended 31 December 2015: approximately RMB7,518,000) and approximately RMB28,463,000 (six months ended 31 December 2015: approximately RMB36,331,000) respectively. The gross loss is in line with the decrease in turnover.

The segment of automation instrument and technology products suffered a gross loss for the Period. It is mainly due to the decrease in turnover as mentioned above.

The segment of horological instruments also suffered a gross loss for the Period while the average unit selling price slightly decreased from RMB1.33 for the six months ended 31 December 2015 to RMB1.31 for the Period. The gross loss is also mainly due to the decrease in turnover. 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 RMB28,463,000, as compared to that of approximately RMB36,408,000 for the corresponding period in 2015. 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 RMB2.74 cents (six months ended 31 December 2015: both RMB3.51 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 2016, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,460,489,000 (30 June 2016: approximately RMB1,472,102,000), approximately RMB1,516,273,000 (30 June 2016: approximately RMB1,524,203,000) and approximately RMB2,077,086,000 (30 June 2016: approximately RMB2,109,891,000) respectively.

Borrowings

As at 31 December 2016, the Group had no bank borrowings (30 June 2016: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2016 decreased by approximately RMB32,805,000 to approximately RMB2,056,717,000 (30 June 2016: approximately RMB2,089,522,000).

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 2016 was approximately 0.05 (30 June 2016: approximately 0.04).

Management Discussion and Analysis

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 2016, 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\$128 million were used for research and development efforts;
3. Approximately HK\$42 million were used for network development and sales support services; and
4. Approximately HK\$3 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 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 AND SHARE OPTION SCHEME

As at 31 December 2016, the Group employed a total of 678 employees (30 June 2016: 734). 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 RMB19,767,000 (six months ended 31 December 2015: approximately RMB20,819,000).

In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. During the Period, no option was granted, exercised or cancelled, and all share options were lapsed under the Scheme in the year ended 30 June 2016.

CHARGE ON ASSETS

As at 31 December 2016, the Group did not have any charges on its assets (30 June 2016: Nil).

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Apart from the expansion of manufacturing facilities as described in page 21, the Group had no future plans for material investments as at 31 December 2016.

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 noted that there was a devaluation of the Renminbi Yuan against foreign currency during the Period. However the devaluation does not have material effect on 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 2016, the Group had capital expenditure contracted for but not provided in the interim financial report and capital expenditure authorized but not contracted for in the interim financial report amounted to approximately RMB309,000 (30 June 2016: approximately RMB309,000) and approximately RMB57,059,000 (30 June 2016: approximately RMB57,167,000) respectively.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (30 June 2016: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2016

There was no important events affecting the Group which have occurred during the period from 1 January 2017 to the date of this interim report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the ordinary shares and underlying shares of the Company:

Directors	Number of ordinary shares and underlying shares held, capacity and nature of interest			Approximate percentage of the issued share capital of the Company
	Directly held interest	Through controlled corporation	Total	
Mr. Wong Fun Chung ("Mr. Wong")	342,942,082	39,824,704 (note 1)	382,766,786	36.89% (note 2)

Notes:

- 39,824,704 shares were held by Fortune Plus Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 66.6% by Mr. Wong. Therefore Mr. Wong is deemed to be interested in these shares under the SFO.
- As at 31 December 2016, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above and in the section headed "Share Option Scheme" below, as at 31 December 2016, so far as is known to any Directors or chief executive of the Company, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

Shareholders	Number of Shares	Approximate percentage of the issued share capital of the Company
Capital Research and Management Company	83,390,000	8.04 (note 1)

Note:

1. As at 31 December 2016, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2016, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Scheme on 28 October 2009, the principal terms of which are set out in note 22 to the 2016 annual financial statements of the Group. During the Period, no share option was granted, exercised or cancelled, and all share options were lapsed under the Scheme in the year ended 30 June 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" and "Share option scheme" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective associates (as defined in the Listing Rules), or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire such rights in any other body corporate.

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 2016 and the date of this interim report, 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 2016 and the date of this interim report, 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.

Other Information

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 2016 and the date of this interim report, 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 and this interim report for the six months ended 31 December 2016, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. They considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2016 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

The Company's 2016 interim results announcement and this interim report has been published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.chpag.net.

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, 27 February 2017