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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 2018**

HIGHLIGHTS

1. Turnover decreased by 11.9%;
2. Loss from operations decreased by 34.0%;
3. Net loss attributable to equity shareholders of the Company decreased by 33.9%;
4. Both basic and diluted loss per share were RMB5.71 cents.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 30 June 2018 (the “Year”), with the comparative figures for the preceding financial year ended 30 June 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

(Expressed in Renminbi Yuan)

	<i>Notes</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Turnover	3	106,840	121,211
Cost of sales		<u>(129,306)</u>	<u>(166,422)</u>
Gross loss		(22,466)	(45,211)
Other income	5	15,765	10,521
Other gain/(loss), net	5	5,245	(1,876)
Distribution costs		(2,759)	(2,670)
Administrative expenses		(48,349)	(49,414)
Fair value change in investment properties		(6,601)	(2,332)
(Impairment)/reversal of impairment of trade receivables	10(b)	(29)	205
Impairment of long term investment		<u>(680)</u>	<u>—</u>
Loss from operations		(59,874)	(90,777)
Finance costs		<u>—</u>	<u>—</u>
Loss before taxation	6	(59,874)	(90,777)
Income tax credit	7(a)	618	1,091
Loss for the year attributable to equity shareholders of the Company		<u>(59,256)</u>	<u>(89,686)</u>
Loss per share (<i>RMB cents</i>)	9		
— basic		<u>(5.71)</u>	<u>(8.64)</u>
— diluted		<u>(5.71)</u>	<u>(8.64)</u>

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

For the year ended 30 June 2018

(Expressed in Renminbi Yuan)

	<i>Notes</i>	2018 RMB'000	2017 <i>RMB'000</i>
Loss for the year attributable to equity shareholders of the Company		(59,256)	(89,686)
Other comprehensive (expense)/income for the year <i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (excluding Hong Kong)		<u>(2,494)</u>	<u>1,327</u>
Total comprehensive expenses for the year attributable to equity shareholders of the Company		<u>(61,750)</u>	<u>(88,359)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2018

(Expressed in Renminbi Yuan)

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		423,948	474,299
Investment properties		40,792	47,393
Interests in leasehold land held for own use under operating leases		8,502	8,730
Deposits for the purchase of property, plant and equipment		511	311
Long term investment		7,320	—
Deferred tax assets		3,303	3,278
		<u>484,376</u>	<u>534,011</u>
Current assets			
Inventories		42,988	40,052
Trade and other receivables	10	61,697	63,233
Cash and cash equivalents		1,439,211	1,446,994
		<u>1,543,896</u>	<u>1,550,279</u>
Current liabilities			
Trade and other payables	11	69,744	63,339
Provision for warranties		492	572
		<u>70,236</u>	<u>63,911</u>
Net current assets		<u>1,473,660</u>	<u>1,486,368</u>
Total assets less current liabilities		<u>1,958,036</u>	<u>2,020,379</u>
Non-current liabilities			
Deferred tax liabilities		18,623	19,216
		<u>18,623</u>	<u>19,216</u>
NET ASSETS		<u>1,939,413</u>	<u>2,001,163</u>
CAPITAL AND RESERVES			
Share capital	12	91,360	91,360
Reserves		1,848,053	1,909,803
TOTAL EQUITY		<u>1,939,413</u>	<u>2,001,163</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
Balance at 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 year ended 30 June 2017:								
Loss for the year	—	—	—	—	—	—	(89,686)	(89,686)
Other comprehensive income	—	—	—	—	—	1,327	—	1,327
Total comprehensive income/ (expenses)	—	—	—	—	—	1,327	(89,686)	(88,359)
Balance at 30 June 2017	<u>91,360</u>	<u>941,077</u>	<u>181,790</u>	<u>2,982</u>	<u>2,986</u>	<u>(19,731)</u>	<u>800,699</u>	<u>2,001,163</u>

	Attributable to equity shareholders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
Balance at 1 July 2017	91,360	941,077	181,790	2,982	2,986	(19,731)	800,699	2,001,163
Changes in equity for the year ended 30 June 2018:								
Loss for the year	—	—	—	—	—	—	(59,256)	(59,256)
Other comprehensive expenses	—	—	—	—	—	(2,494)	—	(2,494)
Total comprehensive expenses	—	—	—	—	—	(2,494)	(59,256)	(61,750)
Balance at 30 June 2018	<u>91,360</u>	<u>941,077</u>	<u>181,790</u>	<u>2,982</u>	<u>2,986</u>	<u>(22,225)</u>	<u>741,443</u>	<u>1,939,413</u>

NOTES:

1 BASIS OF PREPARATION

The consolidated results set out in this announcement does not constitute the Group's financial statements for the year ended 30 June 2018 but is extracted from those financial statements.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period.

2 APPLICATION OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

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

3 TURNOVER

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

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Sales of automation instrument and technology products	99,110	104,421
Sales of horological instruments	<u>7,730</u>	<u>16,790</u>
	<u>106,840</u>	<u>121,211</u>

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management, being the chief operating decision maker, 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 is “adjusted loss from operations”. To arrive at reportable segment loss, the Group’s loss 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 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 years ended 30 June 2018 and 2017 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2018 RMB’000	2017 RMB’000	2018 RMB’000	2017 RMB’000	2018 RMB’000	2017 RMB’000
Reportable segment revenue	<u>99,110</u>	<u>104,421</u>	<u>7,730</u>	<u>16,790</u>	<u>106,840</u>	<u>121,211</u>
Reportable segment loss (adjusted loss from operations)	<u>(45,941)</u>	<u>(57,751)</u>	<u>(18,932)</u>	<u>(29,886)</u>	<u>(64,873)</u>	<u>(87,637)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2018 RMB’000	At 30 June 2017 RMB’000	At 30 June 2018 RMB’000	At 30 June 2017 RMB’000	At 30 June 2018 RMB’000	At 30 June 2017 RMB’000
Reportable segment assets	<u>390,969</u>	<u>436,246</u>	<u>140,695</u>	<u>144,362</u>	<u>531,664</u>	<u>580,608</u>
Reportable segment liabilities	<u>15,104</u>	<u>14,242</u>	<u>3,560</u>	<u>5,722</u>	<u>18,664</u>	<u>19,964</u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>106,840</u>	<u>121,211</u>
Turnover	<u><u>106,840</u></u>	<u><u>121,211</u></u>
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit or loss		
Reportable segment loss	(64,873)	(87,637)
Bank interest income	4,374	4,420
Unallocated head office and corporate income	16,556	5,861
Unallocated head office and corporate expenses	<u>(15,931)</u>	<u>(13,421)</u>
Loss before taxation	(59,874)	(90,777)
Income tax credit	<u>618</u>	<u>1,091</u>
Loss for the year	<u><u>(59,256)</u></u>	<u><u>(89,686)</u></u>
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Assets		
Reportable segment assets	531,664	580,608
Unallocated head office and corporate assets	<u>1,496,608</u>	<u>1,503,682</u>
Total assets	<u><u>2,028,272</u></u>	<u><u>2,084,290</u></u>
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	18,664	19,964
Unallocated head office and corporate liabilities	<u>70,195</u>	<u>63,163</u>
Total liabilities	<u><u>88,859</u></u>	<u><u>83,127</u></u>

(c) Other segment information

	Automation instrument and technology products		Horological instruments	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Depreciation and amortisation	41,141	41,988	3,209	6,673
Addition to non-current segment assets during the year	188	108	—	576
Impairment/(reversal of impairment) of trade receivables	—	—	29	(205)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(d) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, interests in leasehold land held for own use under operating leases, deposits for the purchase of property, plant and equipment and long term investment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		Specified non-current assets	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Hong Kong	474	698	22	42
PRC (excluding Hong Kong)	106,366	120,513	481,051	530,691
	<u>106,840</u>	<u>121,211</u>	<u>481,073</u>	<u>530,733</u>

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

Reportable segments		2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Customer A	Horological instruments	N/A(*)	16,233
Customer B	Automation instrument and technology products	11,035	N/A(*)
Customer C	Automation instrument and technology products	10,888	N/A(*)
		<u> </u>	<u> </u>

(*): Revenue from Customer A did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2018.

Revenue from Customer B and C did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2017.

5 OTHER INCOME AND OTHER GAIN/(LOSS), NET

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other income		
Bank interest income	4,374	4,420
Government grants (<i>Note</i>)	5,000	—
Rental income	2,461	2,893
Reversal of provision for warranties	80	240
Retail sales	325	—
Income from processing of water meters	3,372	—
Sundry income	153	2,968
	<u>15,765</u>	<u>10,521</u>
Other gain/(loss), net		
Gain/(loss) on disposal of property, plant and equipment	2,588	(47)
Net foreign exchange gain/(loss)	2,657	(1,829)
	<u>5,245</u>	<u>(1,876)</u>

Note:

Government grants represent incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

6 LOSS BEFORE TAXATION

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
(a) Staff costs		
Contributions to defined contribution retirement plans	1,825	1,860
Salaries, wages and other benefits	35,258	33,189
	<u>37,083</u>	<u>35,049</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 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.

	2018 <i>RMB’000</i>	2017 <i>RMB’000</i>
(b) Other items		
Depreciation	45,063	49,711
Amortisation	227	227
Research and development costs	12,465	10,889
Reversal of provision for warranties	(80)	(240)
Auditors’ remuneration		
— Audit services	1,700	1,700
— Special audit for 2011 financial statements	—	600
Impairment/(reversal of impairment) of trade receivables (note 10(b))	29	(205)
Operating lease charges in respect of properties	2,232	2,270
(Gain)/loss on disposal of property, plant and equipment	(2,588)	47
Cost of inventories sold*	129,306	166,422
	<u><u>129,306</u></u>	<u><u>166,422</u></u>

* Cost of inventories sold includes approximately RMB59,404,000 (2017: approximately RMB63,491,000) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

7 INCOME TAX CREDIT

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

	2018 <i>RMB’000</i>	2017 <i>RMB’000</i>
Current tax		
Current year	—	—
Deferred tax credit		
Current year	(618)	(1,091)
	<u><u>(618)</u></u>	<u><u>(1,091)</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 year.
- (iii) No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current year.
- (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%. 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.

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.

- (b) Reconciliation between income tax credit and loss before taxation at applicable tax rate:

	2018 RMB'000	2017 RMB'000
Loss before taxation	<u>(59,874)</u>	<u>(90,777)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(14,000)	(22,065)
Tax effect of non-taxable revenue	(4,520)	(1,748)
Tax effect of non-deductible expenses	7,499	19,050
Tax effect of temporary differences	(618)	(1,091)
Tax effect of estimated tax losses not recognised	<u>11,021</u>	<u>4,763</u>
Actual income tax credit	<u>(618)</u>	<u>(1,091)</u>

8 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
No dividend proposed after the end of the reporting period (2017: Nil)	—	—

9 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 approximately RMB59,256,000 (2017: approximately RMB89,686,000) and the number of 1,037,500,000 ordinary shares (2017: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB59,256,000 (2017: approximately RMB89,686,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options assuming they were exercised during the year. For the years ended 30 June 2018 and 2017, diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary shares.

	2018 <i>'000</i>	2017 <i>'000</i>
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

10 TRADE AND OTHER RECEIVABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables	60,691	62,059
Less: Allowance for doubtful debts (note 10(b))	<u>(199)</u>	<u>(179)</u>
	<u>60,492</u>	<u>61,880</u>
Other prepayments, deposits and receivables	<u>1,205</u>	<u>1,353</u>
	<u><u>61,697</u></u>	<u><u>63,233</u></u>

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
0–60 days	22,536	25,851
61–120 days	19,874	18,650
121–180 days	<u>18,082</u>	<u>17,379</u>
	<u><u>60,492</u></u>	<u><u>61,880</u></u>

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year. The Group generally grants credit periods of 120 days to 180 days from the date of billing to its customers.

(a) Ageing analysis

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired (current)	<u>60,492</u>	<u>61,880</u>
Less than 1 month past due	—	—
1 to 3 months past due	<u>—</u>	<u>—</u>
Amount past due	<u>—</u>	<u>—</u>
	<u><u>60,492</u></u>	<u><u>61,880</u></u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
At 1 July 2017/2016	179	368
Impairment/(reversal of impairment)	29	(205)
Exchange difference	(9)	16
	<hr/>	<hr/>
At 30 June 2018/2017	199	179
	<hr/> <hr/>	<hr/> <hr/>

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of approximately RMB199,000 (2017: approximately RMB179,000) were recognised. The Group does not hold any collateral over these balances.

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Age of impaired trade receivables overdue by		
0–60 days	—	—
61–120 days	—	—
Over 120 days	199	179
	<hr/>	<hr/>
Total	199	179
	<hr/> <hr/>	<hr/> <hr/>

11 TRADE AND OTHER PAYABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables	18,528	19,614
Other payables and accruals	<u>51,216</u>	<u>43,725</u>
	<u><u>69,744</u></u>	<u><u>63,339</u></u>

Included in trade and other payables are trade payables with the following ageing analysis at the end of the reporting periods. The credit periods granted by various suppliers are generally 120 days.

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Due within 1 month or on demand	12,634	11,532
Due after 1 month but within 3 months	5,528	7,411
Due after 3 months but within 6 months	83	111
Over 6 months	<u>283</u>	<u>560</u>
	<u><u>18,528</u></u>	<u><u>19,614</u></u>

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

12 SHARE CAPITAL

There was no movements of the authorised share capital of the Company during the years ended 30 June 2017 and 2018:

	Par value <i>HK\$</i>	Number of shares <i>'000</i>	Nominal value of ordinary shares	
			<i>HK\$'000</i>	<i>RMB'000</i>
Authorised:				
At 1 July 2016, 30 June 2017 and 30 June 2018	<u>0.1</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>880,500</u>
Issued and fully paid:				
At 1 July 2016, 30 June 2017 and 30 June 2018	<u>0.1</u>	<u>1,037,500</u>	<u>103,750</u>	<u>91,360</u>

Note:

As at 30 June 2018 and 30 June 2017, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to the shareholder's written resolution passed on 28 October 2009, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any directors and employees of the Group, to take up options to subscribe for the shares of the Company. The Scheme will remain in force for a period of 10 years from the effective date of such scheme and will expire on 13 November 2019. As at 30 June 2018 and 2017, no share option was outstanding under the Scheme as all share options granted were lapsed in accordance with the terms of the Scheme on 31 March 2016.

Under the Scheme, the directors may at their discretion to grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

As at 30 June 2018, the number of shares available for issue under the Scheme was 103,750,000 (2017: 103,750,000), representing 10% of the issued shares of the Company.

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. No share options were granted to the Company's directors and employees during the years ended 30 June 2018 and 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As at 30 June 2018, the principal business of the Company were the research, development, manufacture and sales of automation instruments, and downstream customers mainly operate in traditional industries. The continuous deceleration of GDP growth in the PRC continuously weakens the demand from the traditional downstream industries for the products of the Company, and brings a greater adverse effect to the development of the Company. Nonetheless, the development of the Company's industrial automation products remains highly regarded and strongly supported by the PRC government.

During the reporting period, the Company has increased its effort on technological innovation to strengthen the tie between technology and the market, and to promote a breakthrough in the research and development of technology, especially on the research and development of applied innovation. The Company is actively expanding the new emerging business fields related to the industry and, targeting at the current development trend of the networking automation instrument products, the Company has established a research and development system based on the Internet of Things, strengthening the basic research and development capability in the application of intelligent instrument networking. In light of the robust demand for intelligent management and automated operation in smart cities and underground corridors reform, the Company will explore for customised overall solutions that integrate products, technologies and services based on "Internet Plus".

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 RMB99,110,000 (2017: approximately RMB104,421,000), representing approximately 92.8% (2017: approximately 86.1%) of the Group's total turnover. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. This segment recorded reportable segment loss of approximately RMB45,941,000, as compared to a reportable segment loss of approximately RMB57,751,000 in 2017.

Horological instruments

Sales of horological instruments were approximately RMB7,730,000 (2017: approximately RMB16,790,000), which accounts for approximately 7.2% (2017: approximately 13.9%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB18,932,000, as compared to a reportable segment loss of approximately RMB29,886,000 in 2017.

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 Year. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

PROSPECTS

The industrial automation products of the Company belong to the instruments industry sector. Industrial automation product is not only an important component of the equipment industry, but is also one of the cores for the development of advanced manufacturing industry of the PRC. In the course of advancement of industrialization, informatization and modernization of the PRC, the industrial automation products have met with favourable development opportunities, but also faced with stiff competitions and challenges. In the past few years, as a result of the deceleration of macro-economic growth, the market size has been downsized to a certain extent. However, during the first half of 2018, the downstream industries experienced growth and the market demand starts to rejuvenate gradually, hence the instruments industry begins to experience an upward trend.

With the full implementation of "Made in China 2025", the deepening of the structural reform on the supply side, and the gradual advancement of strategies including the integration and development of manufacturing industry and Internet, big data and intellectualization, the demand and the area of application for industrial automation products will be more comprehensive, and the industry will enjoy a prosperous development prospect.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB106,840,000 for the Year (2017: approximately RMB121,211,000), representing a decrease of about 11.9% as compared to that of last year. 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.

Gross loss and loss from operations

During the Year, the Group's gross loss and loss from operations amounted to approximately RMB22,466,000 (2017: approximately RMB45,211,000) and approximately RMB59,874,000 (2017: approximately RMB90,777,000) respectively. The decrease in gross loss is mainly due to the result of adoption of a series of new product design which effectively lowered the raw material costs. The loss from operations included an impairment loss of approximately RMB6,601,000 (2017: approximately RMB2,332,000) in fair value change of investment properties.

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

The segment of horological instruments also suffered a gross loss for the Year. It 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 the intensely price competitive market.

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

Net loss

The loss attributable to equity shareholders of the Company for the Year was approximately RMB59,256,000, as compared to that of approximately RMB89,686,000 in 2017. 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 RMB5.71 cents (2017: both RMB8.64 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 2018, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,439,211,000 (30 June 2017: approximately RMB1,446,994,000), approximately RMB1,473,660,000 (30 June 2017: approximately RMB1,486,368,000) and approximately RMB1,958,036,000 (30 June 2017: approximately RMB2,020,379,000) respectively.

Borrowings

As at 30 June 2018, the Group had no bank borrowings (30 June 2017: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2018 decreased by approximately RMB61,750,000 to approximately RMB1,939,413,000 (30 June 2017: approximately RMB2,001,163,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2018 was approximately 0.05 (30 June 2017: 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 ("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 2018, 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\$160 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.

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 12 to the consolidated results of the Group as contained in this announcement.

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 AND SHARE OPTION SCHEME

As at 30 June 2018, the Group employed a total of 685 employees (30 June 2017: 636). 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 RMB37,083,000 (2017: approximately RMB35,049,000).

In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. During the Year, no option was granted, exercised, cancelled or lapsed under the Scheme. Details of the Scheme are set out in note 13 to the consolidated results of the Group as contained in this announcement.

CHARGE ON ASSETS

As at 30 June 2018, the Group did not have any charges on its assets (30 June 2017: 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 2018.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies primarily in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Year and will continue to closely monitor such risk exposures from time to time.

CAPITAL COMMITMENT

As at 30 June 2018, the Group had capital expenditure contracted for but not provided in the financial statements and capital expenditure authorised but not contracted for capital commitments in the consolidated financial statements amounted to approximately RMB891,000 (30 June 2017: approximately RMB1,091,000) and approximately RMB52,484,000 (30 June 2017: approximately RMB52,634,000) respectively.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (30 June 2017: Nil).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2017: 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 Company’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 2018.

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.net.

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Thursday 22 November 2018 to Wednesday, 28 November 2018, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 21 November 2018.

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.net.

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 2018 annual report of the Company.

The 2018 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.net 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, 28 September 2018

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.