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CHINA HIGH PRECISION AUTOMATION GROUP LIMITED
中國高精密自動化集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 591)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2018 (the "Period") together with the comparative figures for the corresponding period in 2017 and the relevant explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31 December 2018
(Expressed in Renminbi Yuan)

		Six months ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3	**70,924**	55,741
Cost of sales		**(65,456)**	(73,227)
Gross profit/(loss)		**5,468**	(17,486)
Other income	4	**2,931**	3,893
Other (loss)/gain	4	**(732)**	6,196
Distribution costs		**(1,669)**	(1,524)
Administrative expenses		**(22,313)**	(20,466)
Loss from operations		**(16,315)**	(29,387)
Finance costs		**—**	—
Loss before taxation	5	**(16,315)**	(29,387)
Income tax	6	**—**	561
Loss for the period attributable to equity shareholders of the Company		**(16,315)**	(28,826)
Loss per share *(RMB cents)*			
— basic	7	**(1.57)**	(2.78)
— diluted	7	**(1.57)**	(2.78)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2018
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company	**(16,315)**	(28,826)
Other comprehensive income/(expenses) 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)	**2,685**	(3,415)
Total comprehensive expenses for the period attributable to equity shareholders of the Company	**(13,630)**	(32,241)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(Expressed in Renminbi Yuan)

	Note	**As at 31 December 2018** ***RMB'000*** **(Unaudited)**	As at 30 June 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**399,872**	423,948
Investment properties		**40,493**	40,792
Interests in leasehold land held for own use under operating leases		**8,389**	8,502
Deposits for the purchase of property, plant and equipment		**471**	511
Long term investments		**7,320**	7,320
Deferred tax assets		**3,303**	3,303
		459,848	484,376
Current assets			
Inventories		**43,533**	42,988
Trade and other receivables	9	**70,793**	61,697
Cash and cash equivalents		**1,434,889**	1,439,211
		1,549,215	1,543,896
Current liabilities			
Trade and other payables	10	**64,152**	69,744
Provision for warranties		**505**	492
		64,657	70,236
Net current assets		**1,484,558**	1,473,660
Total assets less current liabilities		**1,944,406**	1,958,036
Non-current liabilities			
Deferred tax liabilities		**18,623**	18,623
NET ASSETS		**1,925,783**	1,939,413
CAPITAL AND RESERVES			
Share capital		**91,360**	91,360
Reserves		**1,834,423**	1,848,053
TOTAL EQUITY		**1,925,783**	1,939,413

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	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*	Total *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 and 1 July 2018	**91,360**	**941,077**	**181,790**	**2,982**	**2,986**	**(22,225)**	**741,443**	**1,939,413**
Changes in equity for the six months ended 31 December 2018:								
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(16,315)**	**(16,315)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**2,685**	**—**	**2,685**
Total comprehensive income/ (expenses)	**—**	**—**	**—**	**—**	**—**	**2,685**	**(16,315)**	**(13,630)**
Balance at 31 December 2018	**91,360**	**941,077**	**181,790**	**2,982**	**2,986**	**(19,540)**	**725,128**	**1,925,783**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2018
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash used in operations	**(8,684)**	(15,350)
PRC income tax paid	**—**	—
Net cash used in operating activities	**(8,684)**	(15,350)
Net cash generated from investing activities	**4,362**	2,441
Net cash used in financing activities	**—**	—
Net decrease in cash and cash equivalents	**(4,322)**	(12,909)
Cash and cash equivalents at beginning of the period	**1,439,211**	1,446,994
Cash and cash equivalents at end of the period	**1,434,889**	1,434,085

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 February 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 30 June 2018 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2018 are available from the Company's registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 28 September 2018.

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:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	**69,216**	50,477
Sales of horological instruments	**1,708**	5,264
	70,924	55,741

During the six months ended 31 December 2018, there was 1 customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2017: 1 (unaudited)).

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

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**1,087**	2,205
Rental income	**1,507**	1,581
Reversal of provision for warranties	**—**	107
Retail sales and income from processing of water meters	**337**	—
	2,931	3,893
Other net (loss)/gain		
Net foreign exchange (loss)/gain	**(1,848)**	3,608
Gain on disposal of property, plant and equipment	**1,116**	2,588
	(732)	6,196

5. LOSS BEFORE TAXATION

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

		Six months ended 31 December	
		2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	Staff costs:		
	Contributions to defined contribution retirement plans	**998**	921
	Salaries, wages and other benefits	**21,152**	19,321
		22,150	20,242

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	
		2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(b)	Other items:		
	Depreciation	**22,216**	23,713
	Amortisation	**113**	113
	Research and development costs	**3,689**	2,730
	Operating lease charges in respect of properties	**1,223**	1,096
	Cost of inventories sold*	**65,456**	73,227

* Cost of inventories includes RMB33,253,000 (unaudited) (six months ended 31 December 2017: RMB32,015,000 (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.

6. INCOME TAX

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Current period	**—**	—
Deferred tax		
Current period	**—**	(561)
	—	(561)

(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 2017: 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.

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 RMB16,315,000 (unaudited) (six months ended 31 December 2017: RMB28,826,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2017: 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 2018 of RMB16,315,000 (unaudited) (six months ended 31 December 2017: loss of RMB28,826,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options. For the six months ended 31 December 2018 and 31 December 2017, diluted loss per share was equal to the basic loss per share as there was no dilutive potential share outstanding.

	Six months ended 31 December	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	**—**	—
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,037,500

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.

Automation instrument and technology products:	the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments.
Horological instruments:	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 2018 and 2017 is set out below.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**69,216**	50,477	**1,708**	5,264	**70,924**	55,741
Reportable segment loss (adjusted loss from operations)	**(2,597)**	(24,983)	**(12,170)**	(11,017)	**(14,767)**	(36,000)

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2018	At 30 June 2018	**At 31 December 2018**	At 30 June 2018	**At 31 December 2018**	At 30 June 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**381,436**	390,969	**136,380**	140,695	**517,816**	531,664
Addition to non-current segment assets during the six months ended 31 December 2018/year	**—**	188	**—**	—	**—**	188
Reportable segment liabilities	**13,680**	15,104	**175**	3,560	**13,855**	18,664

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

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**70,924**	55,741
Consolidated turnover	**70,924**	55,741

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit		
Reportable segment loss	**(14,767)**	(36,000)
Unallocated head office and corporate (loss)/profit	**(1,548)**	6,613
Consolidated loss before taxation	**(16,315)**	(29,387)

	At 31 December 2018	At 30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**517,816**	531,664
Unallocated head office and corporate assets	**1,491,247**	1,496,608
Consolidated total assets	**2,009,063**	2,028,272

	At 31 December 2018	At 30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Liabilities		
Reportable segment liabilities	**13,855**	18,664
Unallocated head office and corporate liabilities	**69,425**	70,195
Consolidated total liabilities	**83,280**	88,859

9. TRADE AND OTHER RECEIVABLES

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

	At 31 December 2018 ***RMB'000*** **(Unaudited)**	At 30 June 2018 *RMB'000* (Audited)
Neither past due nor impaired (current)	**69,082**	60,492
Less than 1 month past due	**194**	—
Trade receivables, net of allowance for doubtful debts	**69,276**	60,492
Prepayments and other receivables	**1,517**	1,205
	70,793	61,697

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

10. TRADE AND OTHER PAYABLES

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

	At 31 December 2018 ***RMB'000*** **(Unaudited)**	At 30 June 2018 *RMB'000* (Audited)
Due within 1 month or on demand	**6,962**	12,634
Due after 1 month but within 3 months	**6,593**	5,528
Due after 3 months but within 6 months	**119**	83
Over 6 months	**1,489**	283
Total trade payables	**15,163**	18,528
Other payables and accruals	**48,989**	51,216
	64,152	69,744

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

11. DIVIDENDS

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

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2017: Nil (unaudited) per ordinary share)	**—**	—

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The Company continued to focus on its principal business of research, development, manufacture and sales of automation instruments. The Company served downstream customers which mainly operate in traditional industries, being fundamental and core industries of the national economy, such as metallurgy, non-ferrous metal, chemicals, power generation, petroleum, construction materials, light industry, water treatment and environmental protection. As of 31 December 2018, under the compound effect of various factors, such as the reform of the supply-side and self-adjustment of the market, overcapacity in these industries has been curbed to a certain extent. With significant alleviation of the previously stark mismatch between total supply and total demand in the PRC, the economic development trend has become relatively stable. Such favourable macro-environment paved the way to a more promising development for traditional industries such as petroleum and petrochemical, power generation and metallurgy, being the major downstream customers 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 2018 (the "Period"), sales of high precision industrial automation instrument and technology products amounted to approximately RMB69,216,000 (six months ended 31 December 2017: approximately RMB50,477,000), representing approximately 97.6% (six months ended 31 December 2017: approximately 90.6%) 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 RMB2,597,000 for the Period as compared to that of approximately RMB24,983,000 for the corresponding period in 2017.

Horological instruments

Sales of horological instruments amounted to approximately RMB1,708,000 (six months ended 31 December 2017: approximately RMB5,264,000), representing approximately 2.4% (six months ended 31 December 2017: approximately 9.4%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of approximately RMB12,170,000 for the period as compared to that of approximately RMB11,017,000 for the corresponding period 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 Period. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

Prospects

Despite the continuous slowdown of GDP growth rate in the PRC as well as the sustained low demand for the Company's products among traditional downstream industries in recent years, the Company still proactively takes the initiatives to undergo business expansion and transformation, while remaining keen on improving its service standards and the technology service standards for its products. The Company sees opportunities in light of the robust demand for intelligent management and automated operation in the reform of smart cities and underground corridors, and will strive to rapidly tap into new industries relevant to such reform to avoid relying solely on customers from traditional industries.

Financial Review

Turnover

Turnover of the Group amounted to approximately RMB70,924,000 for the Period (six months ended 31 December 2017: approximately RMB55,741,000), representing an increase of approximately 27.2% as compared to that of the corresponding period in 2017. The increase is mainly due to the increase in sales of industrial automation instrument products during the Period.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB5,468,000 (six months ended 31 December 2017: gross loss of approximately RMB17,486,000) and approximately RMB16,315,000 (six months ended 31 December 2017: approximately RMB29,387,000) respectively. We recorded a gross profit which is mainly due to the increase in turnover during the Period.

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

The segment of horological instruments suffered a gross loss for the Period while the average unit selling price slightly decreased from RMB1.39 for the six months ended 31 December 2017 to RMB1.17 for the Period. The gross loss is 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 RMB16,315,000, as compared to that of approximately RMB28,826,000 for the corresponding period in 2017. It was mainly due to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Period were RMB1.57 cents (six months ended 31 December 2017: both RMB2.78 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 2018, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,434,889,000 (30 June 2018: approximately RMB1,439,211,000), approximately RMB1,484,558,000 (30 June 2018: approximately RMB1,473,660,000) and approximately RMB1,944,406,000 (30 June 2018: approximately RMB1,958,036,000) respectively.

Borrowings

As at 31 December 2018, the Group had no bank borrowings (30 June 2018: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2018 decreased by approximately RMB13,630,000 to approximately RMB1,925,783,000 (30 June 2018: approximately RMB1,939,413,000).

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 2018 was approximately 0.04 (30 June 2018: approximately 0.05).

Use of Proceeds from the Placing and the Public Offer

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK$1,043,000,000 (the "Net Proceeds") will mainly be 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 2018, 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$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.

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 2018 the Group employed a total of 636 employees (30 June 2018: 685). 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 RMB22,150,000 (six months ended 31 December 2017: approximately RMB20,242,000).

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, cancelled or lapsed under the Scheme.

Charge on Assets

As at 31 December 2018, the Group did not have any charges on its assets (30 June 2018: Nil).

Future Plans for Material Investments or Capital Assets and Expected Sources of Funding

The Group had no future plans for material investments or capital assets as at 31 December 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 Period and will continue to closely monitor such risk exposures from time to time.

Capital Commitment

As at 31 December 2018, the Group had capital expenditure contracted for but not provided in the interim financial results and capital expenditure authorized but not contracted for in the interim financial results amounted to approximately RMB791,000 (30 June 2018: approximately RMB891,000) and approximately RMB52,453,000 (30 June 2018: approximately RMB52,484,000) respectively.

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (30 June 2018: Nil).

Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

Events after the Six Months Ended 31 December 2018

There was no important events affecting the Group which have occurred during the period from 1 January 2019 to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

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

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the required standard for securities transactions by the Directors.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

REMUNERATION COMMITTEE

As at 31 December 2018 and the date of this announcement, the remuneration committee of the Board (the "Remuneration Committee") comprises three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman. The Remuneration Committee is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION COMMITTEE

The Group established a nomination committee (the "Nomination Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy and the nomination policy of the Company as appropriate. As at 31 December 2018 and the date of this announcement, the Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company's financial information, and to perform other duties and responsibilities as assigned by the Board. As at 31 December 2018 and the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its Chairman.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results for the six months ended 31 December 2018, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The Audit Committee considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2018 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company at www.chpag.net. The interim financial report of the Company for the six months ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:00 a.m. on 22 August 2012, and will remain suspended until further notice.

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

Hong Kong, 26 February 2019

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.