

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

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 2023 (the “Period”) together with the comparative figures for the corresponding period in 2022 and the relevant explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31 December 2023 — unaudited
(Expressed in Renminbi Yuan)

		Six months ended	
		31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	72,536	70,756
Cost of sales and services rendered		<u>(54,382)</u>	<u>(51,819)</u>
Gross profit		18,154	18,937
Other income	4	1,719	3,986
Other gain, net	4	878	805
Distribution expenses		(2,000)	(1,246)
Administrative expenses		(24,418)	(25,215)
Impairment loss on trade receivables recognised under expected credit loss model, net		<u>—</u>	<u>(340)</u>
Loss from operations		(5,667)	(3,073)
Finance costs — Interest on lease liabilities		<u>(13)</u>	<u>(14)</u>
Loss before taxation	5	(5,680)	(3,087)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the period attributable to owners of the Company		<u>(5,680)</u>	<u>(3,087)</u>
Loss per share			
— Basic and diluted (RMB cents per share)	7	<u>(0.55)</u>	<u>(0.30)</u>

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

*For the six months ended 31 December 2023 — unaudited
(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(5,680)	(3,087)
Other comprehensive (expense)/income for the period, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	(19,573)	40,231
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>18,873</u>	<u>(38,893)</u>
Other comprehensive (expense)/income for the period	<u>(700)</u>	<u>1,338</u>
Total comprehensive expense for the period attributable to owners of the Company	<u><u>(6,380)</u></u>	<u><u>(1,749)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 — unaudited

(Expressed in Renminbi Yuan)

		As at 31 December 2023 <i>RMB'000</i> (Unaudited)	As at 30 June 2023 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	202,644	213,857
Right-of-use assets		7,554	6,923
Investment properties		34,785	34,785
Financial assets at fair value through other comprehensive income (“FVTOCI”)		35,370	5,370
Deferred tax assets		12,442	12,442
		<u>292,795</u>	<u>273,377</u>
Current assets			
Inventories		23,592	21,265
Trade and other receivables	10	74,840	74,839
Bank balances and cash		1,409,555	1,444,580
		<u>1,507,987</u>	1,540,684
Current liabilities			
Trade and other payables	11	66,269	73,921
Lease liabilities		499	174
Provision for warranties		572	550
		<u>67,340</u>	74,645
Net current assets		1,440,647	1,466,039
Total assets less current liabilities		1,733,442	1,739,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2023 — unaudited**(Expressed in Renminbi Yuan)*

	As at 31 December 2023 RMB'000 (Unaudited)	As at 30 June 2023 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	406	—
Deferred tax liabilities	<u>18,824</u>	<u>18,824</u>
	<u>19,230</u>	<u>18,824</u>
NET ASSETS	<u>1,714,212</u>	<u>1,720,592</u>
CAPITAL AND RESERVES		
Share capital	91,360	91,360
Reserves	<u>1,622,852</u>	<u>1,629,232</u>
TOTAL EQUITY	<u>1,714,212</u>	<u>1,720,592</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023 — unaudited

(Expressed in Renminbi Yuan)

	Attributable to owners 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	FVOCI reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
Balance at 1 July 2022	91,360	941,077	181,790	2,982	2,986	(2,709)	(21,665)	544,176	1,739,997
Changes in equity for the year ended 30 June 2023:									
Loss for the year	—	—	—	—	—	—	—	(22,692)	(22,692)
Exchange differences arising on translation	—	—	—	—	—	—	2,463	—	2,463
Fair value change in financial assets at FVTOCI	—	—	—	—	—	824	—	—	824
Total comprehensive income/ (expense) for the year	—	—	—	—	—	824	2,463	(22,692)	(19,405)
Balance at 30 June 2023 and 1 July 2023	91,360	941,077	181,790	2,982	2,986	(1,885)	(19,202)	521,484	1,720,592
Changes in equity for the six months ended 31 December 2023:									
Loss for the Period	—	—	—	—	—	—	—	(5,680)	(5,680)
Exchange differences arising on translation	—	—	—	—	—	—	(700)	—	(700)
Total comprehensive expense for the period	—	—	—	—	—	—	(700)	(5,680)	(6,380)
Balance at 31 December 2023	91,360	941,077	181,790	2,982	2,986	(1,885)	(19,902)	515,804	1,714,212

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 31 December 2023 — unaudited**(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash (used in)/generated from operations	(9,324)	1,991
Income taxes paid	—	—
Net cash (used in)/generated from operating activities	(9,324)	1,991
Net cash (used in)/generated from investing activities	(28,645)	1,992
Net cash generated from/(used in) financing activities	2,944	(261)
Net (decrease)/increase in cash and cash equivalents	(35,025)	3,722
Cash and cash equivalents at beginning of the period	1,444,580	1,433,668
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,409,555	1,437,390

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 29 February 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 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 2023 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 29 September 2023.

2. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 21	Lack of Exchangeability

These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

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

Disaggregation of the Group's revenue from contracts with customers for the six months ended 31 December 2023 and 2022 is as follows:

		Six months ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Types of goods	Segments		
Sales of automation instrument and technology products	Automation instrument and technology products	72,536	67,284
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	—	3,472
Sales of horological instruments	Horological instruments	—	—
		<u>72,536</u>	<u>70,756</u>

During the Period, all the revenue from contracts with customers is recognised at a point in time and were arisen in the People's Republic of China (the "PRC").

4. OTHER INCOME AND OTHER GAIN, NET

	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1,445	1,992
Rental income	115	1,741
Government grants	166	56
(Provision)/Reversal of provision for warranties	(22)	8
Service income	15	—
Sundry income	—	189
	1,719	3,986
	1,719	3,986
Other gain, net		
Net foreign exchange gain	876	805
Gain on disposal of property, plant and equipment, net	2	—
	878	805
	878	805

5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	1,049	896
Salaries, wages and other benefits	16,198	18,063
	17,247	18,959
	17,247	18,959

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK\$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The Group had no forfeited contributions under the Defined Contribution Scheme and the MPF Scheme which may be used to reduce the existing level of contributions during the Period (2022: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the Period (2022: Nil).

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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(b) Other items:		
Depreciation of property, plant and equipment	11,303	11,440
Depreciation of right-of-use assets	379	355
Research and development costs recognised as expense	1,690	2,691
Lease payments not included in the measurement of lease liabilities	107	247
Cost of sales and services rendered	54,382	51,819
	<u>54,382</u>	<u>51,819</u>

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	—	—
Deferred tax	—	—
	<u>—</u>	<u>—</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise (“ANTE”) that meets the conditions according to the Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. (“Fujian Wide Plus”) was recognised as an ANTE as approved by the relevant authorities. No provision for taxation in the PRC has been made as Fujian Wide Plus sustained a tax loss for the Period.

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.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB5,680,000 (unaudited) (six months ended 31 December 2022: RMB3,087,000 (unaudited)) and the weighted average number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2022: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

(b) Diluted loss per share

For the Period, there was no dilutive potential ordinary share outstanding. Therefore, the dilutive loss per share is the same as the basic loss per share.

8. SEGMENT REPORTING

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

Automation instrument and technology products:

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

Horological instruments:

the manufacture and selling of multi-functional all-plastic quartz watch movements

(a) Segment results, assets and liabilities

For the purposes of monitoring segment performances and allocating resources between segment:

- all assets are allocated to reportable segments other than financial assets at FVTOCI, investment properties, deferred tax assets, cash and cash equivalents and other corporate assets;
- all liabilities are allocated to reportable segments other than deferred tax liabilities and other corporate liabilities; and
- Segment results represent the loss of each segment without allocation of bank interest income, unallocated corporate income, unallocated corporate expenses, change in fair value on investment properties, unallocated finance costs and income tax expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Reportable segment revenue	<u>72,536</u>	<u>70,756</u>	<u>—</u>	<u>—</u>	<u>72,536</u>	<u>70,756</u>
Reportable segment loss (adjusted loss from operations)	<u>(1,487)</u>	<u>(226)</u>	<u>(3,825)</u>	<u>(4,416)</u>	<u>(5,312)</u>	<u>(4,642)</u>
	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2023 RMB'000 (Unaudited)	At 30 June 2023 RMB'000 (Audited)	At 31 December 2023 RMB'000 (Unaudited)	At 30 June 2023 RMB'000 (Audited)	At 31 December 2023 RMB'000 (Unaudited)	At 30 June 2023 RMB'000 (Audited)
Reportable segment assets	<u>274,898</u>	<u>280,593</u>	<u>1,439</u>	<u>3,369</u>	<u>276,337</u>	<u>283,962</u>
Addition to non-current segment assets during the six months ended 31 December 2023/year	<u>89</u>	<u>513</u>	<u>—</u>	<u>—</u>	<u>89</u>	<u>513</u>
Reportable segment liabilities	<u>21,381</u>	<u>29,009</u>	<u>—</u>	<u>—</u>	<u>21,381</u>	<u>29,009</u>

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

	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	<u>72,536</u>	<u>70,756</u>
Revenue	<u><u>72,536</u></u>	<u><u>70,756</u></u>
Profit or loss		
Reportable segment loss	(5,312)	(4,642)
Unallocated head office and corporate income/(expenses)	<u>(368)</u>	<u>1,555</u>
Loss before taxation	<u><u>(5,680)</u></u>	<u><u>(3,087)</u></u>
Assets		
Reportable segment assets	276,337	283,962
Unallocated head office and corporate assets		
— Investment properties	34,785	34,785
— Financial assets at FVTOCI	35,370	5,370
— Deferred tax assets	12,442	12,442
— Bank and cash balances	1,409,555	1,444,580
— Other corporate assets	<u>32,293</u>	<u>32,922</u>
	<u>1,524,445</u>	<u>1,530,099</u>
Consolidated total assets	<u><u>1,800,782</u></u>	<u><u>1,814,061</u></u>

	At 31 December 2023 <i>RMB'000</i> (Unaudited)	At 30 June 2023 <i>RMB'000</i> (Audited)
Liabilities		
Reportable segment liabilities	21,381	29,009
Unallocated head office and corporate liabilities		
— Deferred tax liabilities	18,824	18,824
— Other corporate liabilities		
— Amount due to a related party	9,728	6,479
— Other payables and accruals	36,637	39,157
	<u>46,365</u>	<u>45,638</u>
	<u>65,189</u>	<u>64,460</u>
Consolidated total liabilities	<u><u>86,570</u></u>	<u><u>93,469</u></u>

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment amounting to approximately RMB89,000 (unaudited) (six months ended 31 December 2022: RMBNil (unaudited)).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables with the following ageing analysis, based on invoice date, net of allowance:

	At 31 December 2023 <i>RMB'000</i> (Unaudited)	At 30 June 2023 <i>RMB'000</i> (Audited)
0–60 days	24,319	26,278
61–120 days	24,156	24,185
121–180 days	24,590	21,885
Over 180 days	—	—
	<u>73,065</u>	<u>72,348</u>

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

11. TRADE AND OTHER PAYABLES

	At 31 December 2023 <i>RMB'000</i> (Unaudited)	At 30 June 2023 <i>RMB'000</i> (Audited)
Trade payables	18,223	26,344
Other payables and accruals	38,318	41,098
Amount due to a related party (<i>note</i>)	9,728	6,479
	<u>66,269</u>	<u>73,921</u>

Note: The amount represents temporary fund advanced from Mr. Wong Shek, the son of Mr. Wong Fun Chung, who is the chairman of the Board, an executive Director and the chief executive officer of the Company. The amount is unsecured, interest-free and repayable on demand.

As of the end of the Period, the ageing analysis of trade payables, based on the invoice date, is as follows.

	At 31 December 2023 <i>RMB'000</i> (Unaudited)	At 30 June 2023 <i>RMB'000</i> (Audited)
0–30 days	9,562	14,853
31–90 days	7,575	10,855
91–180 days	117	31
Over 180 days	969	605
	<u>18,223</u>	<u>26,344</u>

The credit periods granted by various suppliers are generally 120 days. All of the trade and other payables are expected to be settled within one year.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the six months ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As at 31 December 2023, the principal business of the Group remained research and development, manufacture and sales of automation instruments. For the six months ended 31 December 2023 (the “Period”), the Group and its upstream and downstream enterprises were still affected by multiple unexpected factors such as the international geopolitical fluctuation, global economic downturn, and the COVID-19 pandemic, during which the national and local governments had introduced and implemented a series of measures to stabilize the economy and policies to revitalize the industrial sector. Despite facing these impacts and challenges, the Company maintained a sustained and stable development trend through its persistence in stable operations, expanding its market and fostering innovation.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the Period, revenue derived from the sales of high precision industrial automation instrument and technology products amounted to approximately RMB72,536,000 (six months ended 31 December 2022: approximately RMB70,756,000), representing 100.0% (six months ended 31 December 2022: 100.0%) 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 RMB1,487,000 for the Period as compared to that of approximately RMB226,000 for the corresponding period in 2022.

Horological instruments

Revenue derived from the sales of horological instruments amounted to RMBNil (six months ended 31 December 2022: RMBNil), representing nil (six months ended 31 December 2022: nil) of the Group’s total turnover during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. This business segment recorded reportable segment loss of approximately RMB3,825,000 for the Period as compared to that of approximately RMB4,416,000 for the corresponding period in 2022.

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

As a leading enterprise in the domestic industrial automatic control system device manufacturing industry, the Group has always adhered to the implementation of an innovation-driven development strategy. Through the continuous improvement and upgrade of technology, the Group has become increasingly mature in terms of production scale, design process, manufacturing technology, product quality and service support. The technical performance of our leading products is at the forefront in China, with some reaching the international advanced level, demonstrating strong competitiveness. The Company actively participates in market competition and continue to expands into new markets and new customers with the advantages of localization and policy support, striving to reduce the impact of multiple unfavourable factors.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB72,536,000 for the Period (six months ended 31 December 2022: approximately RMB70,756,000), representing a slight increase of approximately 2.52% as compared to that of the corresponding period in 2022. The increase is mainly due to the increase in sales of industrial automation instrument products. Nevertheless, the Group remains adversely affected by sluggish global economy and the COVID-19 pandemic which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent decrease in market demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB18,154,000 (six months ended 31 December 2022: approximately RMB18,937,000) and approximately RMB5,667,000 (six months ended 31 December 2022: approximately RMB3,073,000) respectively. The decrease in gross profit is mainly due to the increase in direct material cost of steel.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB18,154,000 for the Period (six months ended 31 December 2022: approximately RMB18,937,000). The decrease is mainly due to the increase in direct material cost of steel.

The segment of horological instruments recorded no sales during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. 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.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Period was approximately RMB5,680,000, as compared to that of approximately RMB3,087,000 for the corresponding period in 2022. It was mainly due to decrease in rental income and the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Period were RMB0.55 cents (six months ended 31 December 2022: both RMB0.30 cents).

Capital Structure, Liquidity and Financial Resources

The Group has adopted a prudent financial management approach towards its funding and treasury policies and obligations. The Group had maintained a healthy liquidity position throughout the Period. To manage liquidity risks, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

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

As at 31 December 2023, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,409,555,000 (30 June 2023: approximately RMB1,444,580,000), approximately RMB1,440,647,000 (30 June 2023: approximately RMB1,466,039,000) and approximately RMB1,733,442,000 (30 June 2023: approximately RMB1,739,416,000) respectively.

Borrowings

As at 31 December 2023, the Group had no bank borrowings (30 June 2023: Nil).

Equity

Total equity attributable to owners of the Company as at 31 December 2023 decreased by approximately RMB6,380,000 to approximately RMB1,714,212,000 (30 June 2023: approximately RMB1,720,592,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 31 December 2023 was approximately 0.05 (30 June 2023: 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 2023, 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\$198 million were used for research and development efforts;
3. Approximately HK\$45 million were used for network development and sales support services; and
4. Approximately HK\$4 million were used for the Group's information system development.

The remaining balance of the Net Proceeds has been placed in the short-term deposits with financial institutions.

SIGNIFICANT INVESTMENTS

The Group held no significant investment during the Period.

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 Period.

EMPLOYEES

As at 31 December 2023 the Group employed a total of 446 employees (30 June 2023: 473). 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 package within the relevant industry. During the Period, the employment cost (excluding Directors' emoluments) amounted to approximately RMB17,247,000 (six months ended 31 December 2022: approximately RMB18,959,000). Training activities are provided to staff, which included new employees orientation, technical training, professional skill enhancement training, safety training, external classes, regular voluntary firemen training, training seminars and expat training.

CHARGE ON ASSETS

As at 31 December 2023, the Group did not have any charges on its assets (30 June 2023: 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 2023.

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 2023, the Group had no capital expenditure contracted for but not provided in the interim financial results (30 June 2023: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (30 June 2023: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2023

There was no important events affecting the Group which have occurred during the period from 1 January 2024 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 C1 to the Listing Rules during the Period, except for the deviation from code provision C.2.1 of the Code as described below.

Code Provision C.2.1

Code provision C.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 C.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 Directors, all 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 2023 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 the chairman of the Remuneration Committee. The Remuneration Committee is primarily responsible for, among other things, 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, among other things, 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 2023 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 the chairman of the Nomination Committee.

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, among other things, 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 2022 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 the chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results for the six months ended 31 December 2023, 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 2023 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.cn. The interim financial report of the Company for the six months ended 31 December 2023 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.

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

Hong Kong, 29 February 2024

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.