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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 2021

HIGHLIGHTS

1. Turnover increased by 29.1%;
2. Loss from operations decreased by 71.9%;
3. Loss attributable to equity shareholders of the Company decreased by 70.5%; and
4. Both basic and diluted loss per share were RMB2.50 cents.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 (collectively, the “Group”) for the year ended 30 June 2021 (the “Year”), with the comparative figures for the preceding financial year ended 30 June 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

(Expressed in Renminbi Yuan)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	3	128,079	99,206
Cost of sales		<u>(117,138)</u>	<u>(104,948)</u>
Gross profit/(loss)		10,941	(5,742)
Other income	5	9,692	12,103
Other gain/(loss), net	5	5,313	(2,804)
Distribution costs		(2,779)	(2,801)
Administrative expenses		(43,631)	(44,024)
Fair value change in investment properties		(663)	(704)
Write-down of inventories		(1,212)	(10,267)
Impairment loss on trade receivables	11	(4,685)	(2,632)
Impairment loss on property, plant and equipment		—	(38,312)
Impairment loss on right-of-use assets		—	<u>(1,142)</u>
Loss from operations		(27,024)	(96,325)
Finance costs	6	<u>(120)</u>	<u>(200)</u>
Loss before taxation	7	(27,144)	(96,525)
Income tax credit	8(a)	<u>1,244</u>	<u>8,585</u>
Loss for the year attributable to equity shareholders of the Company		<u>(25,900)</u>	<u>(87,940)</u>
Loss per share (RMB cents)	10		
— basic		<u>(2.50)</u>	<u>(8.48)</u>
— diluted		<u>(2.50)</u>	<u>(8.48)</u>

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

For the year ended 30 June 2021

(Expressed in Renminbi Yuan)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year attributable to equity shareholders of the Company	(25,900)	(87,940)
Other comprehensive (expense)/income for the year, net of tax		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Fair value change in financial assets at fair value through other comprehensive income	(1,500)	(1,149)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	(5,389)	2,451
Other comprehensive (expense)/income for the year	(6,889)	1,302
Total comprehensive expense for the year attributable to equity shareholders of the Company	(32,789)	(86,638)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in Renminbi Yuan)

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		262,809	291,221
Right-of-use assets		8,474	9,743
Investment properties		36,536	37,199
Deposits for the purchase of property, plant and equipment		276	261
Financial assets at fair value through other comprehensive income		4,052	5,816
Deferred tax assets		13,710	11,966
		<u>325,857</u>	<u>356,206</u>
Current assets			
Inventories		38,455	41,069
Trade and other receivables	11	77,048	25,234
Cash and cash equivalents		1,418,120	1,462,143
		<u>1,533,623</u>	<u>1,528,446</u>
Current liabilities			
Trade and other payables	12	64,124	55,521
Lease liabilities		1,041	1,190
Provision for warranties		427	459
		<u>65,592</u>	<u>57,170</u>
Net current assets		<u>1,468,031</u>	<u>1,471,276</u>
Total assets less current liabilities		<u>1,793,888</u>	<u>1,827,482</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		543	1,584
Deferred tax liabilities		18,416	18,180
		<u>18,959</u>	<u>19,764</u>
NET ASSETS		<u>1,774,929</u>	<u>1,807,718</u>
CAPITAL AND RESERVES			
Share capital	13	91,360	91,360
Reserves		1,683,569	1,716,358
TOTAL EQUITY		<u>1,774,929</u>	<u>1,807,718</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021
(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	Fair value through other comprehensive income reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 July 2019	91,360	941,077	181,790	2,982	2,986	(356)	(19,383)	693,900	1,894,356
Changes in equity for the year ended 30 June 2020:									
Loss for the year	—	—	—	—	—	—	—	(87,940)	(87,940)
Other comprehensive income									
Currency translation differences	—	—	—	—	—	—	2,451	—	2,451
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,149)	—	—	(1,149)
Total comprehensive expense	—	—	—	—	—	(1,149)	2,451	(87,940)	(86,638)
Balance at 30 June 2020 and 1 July 2020	<u>91,360</u>	<u>941,077</u>	<u>181,790</u>	<u>2,982</u>	<u>2,986</u>	<u>(1,505)</u>	<u>(16,932)</u>	<u>605,960</u>	<u>1,807,718</u>
Changes in equity for the year ended 30 June 2021:									
Loss for the year	—	—	—	—	—	—	—	(25,900)	(25,900)
Other comprehensive expense									
Currency translation differences	—	—	—	—	—	—	(5,389)	—	(5,389)
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,500)	—	—	(1,500)
Total comprehensive expense	—	—	—	—	—	(1,500)	(5,389)	(25,900)	(32,789)
Balance at 30 June 2021	<u>91,360</u>	<u>941,077</u>	<u>181,790</u>	<u>2,982</u>	<u>2,986</u>	<u>(3,005)</u>	<u>(22,321)</u>	<u>580,060</u>	<u>1,774,929</u>

NOTES:

1 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's financial statements for the year ended 30 June 2021 but are extracted from those financial statements.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (the "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 (the "Stock Exchange").

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

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 July 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework	Amendments to References to the Conceptual Framework for Financial Reporting
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform — Phase 1
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRS in the current year has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ⁴
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single transaction ⁴
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual improvement to HKFRSs 2018–2020 cycle ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3 REVENUE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Disaggregation of revenue from contracts with customers:		
Sales of automation instrument and technology products	122,511	93,042
Sales of horological instruments	5,568	6,164
	<u>128,079</u>	<u>99,206</u>

During the year, all the revenue from contracts with customers is recognised at a point in time.

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.

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, 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, lease liabilities 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 adjusted revenue, additions to non-current segment assets, depreciation and amortisation and impairment of assets.

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 2021 and 2020 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Reportable segment revenue	<u>122,511</u>	<u>93,042</u>	<u>5,568</u>	<u>6,164</u>	<u>128,079</u>	<u>99,206</u>
Reportable segment loss (adjusted loss from operations)	<u>(27,552)</u>	<u>(56,963)</u>	<u>(2,919)</u>	<u>(26,943)</u>	<u>(30,471)</u>	<u>(83,906)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2020: Nil).

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2021 <i>RMB'000</i>	At 30 June 2020 <i>RMB'000</i>	At 30 June 2021 <i>RMB'000</i>	At 30 June 2020 <i>RMB'000</i>	At 30 June 2021 <i>RMB'000</i>	At 30 June 2020 <i>RMB'000</i>
Reportable segment assets	<u>272,711</u>	<u>245,069</u>	<u>76,646</u>	<u>81,860</u>	<u>349,357</u>	<u>326,929</u>
Reportable segment liabilities	<u>23,690</u>	<u>14,648</u>	<u>970</u>	<u>854</u>	<u>24,660</u>	<u>15,502</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>128,079</u>	<u>99,206</u>
Revenue	<u>128,079</u>	<u>99,206</u>
Profit or loss		
Reportable segment loss	(30,471)	(83,906)
Bank interest income	4,333	4,379
Unallocated head office and corporate income	9,374	2,294
Unallocated head office and corporate expenses	<u>(10,380)</u>	<u>(19,292)</u>
Loss before taxation	(27,144)	(96,525)
Income tax credit	<u>1,244</u>	<u>8,585</u>
Loss for the year	<u>(25,900)</u>	<u>(87,940)</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets		
Reportable segment assets	349,357	326,929
Unallocated head office and corporate assets	<u>1,510,123</u>	<u>1,557,723</u>
Total assets	<u><u>1,859,480</u></u>	<u><u>1,884,652</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	24,660	15,502
Unallocated head office and corporate liabilities	<u>59,891</u>	<u>61,432</u>
Total liabilities	<u><u>84,551</u></u>	<u><u>76,934</u></u>

(c) **Other segment information**

	Automation instrument and technology products		Horological instruments	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation and amortisation	19,789	33,542	6,441	7,970
Addition to non-current segment assets during the year	278	673	—	114
Impairment loss of trade receivables	4,685	2,511	—	121
Impairment loss on inventories	—	3,142	1,212	7,125
Impairment loss on property, plant and equipment	—	22,928	—	10,847
Impairment loss on right-of-use assets	—	936	—	155
	<u><u>—</u></u>	<u><u>936</u></u>	<u><u>—</u></u>	<u><u>155</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, right-of-use assets, investment properties and deposits for the purchase of property, plant and equipment ("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	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong	—	9,036	6	208
People's Republic of China ("PRC") (excluding Hong Kong)	127,998	89,459	308,089	338,216
Others	81	711	—	—
	<u>128,079</u>	<u>99,206</u>	<u>308,095</u>	<u>338,424</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		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	Automation instrument and technology products	18,699	N/A ^(*)
Customer B	Automation instrument and technology products	17,275	N/A ^(*)
Customer C	Automation instrument and technology products	13,480	N/A ^(*)
Customer D	Automation instrument and technology products	<u>13,469</u>	<u>N/A^(*)</u>

(*): Revenue from Customer A, B, C and D did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2020.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Bank interest income	4,333	4,379
Government grants (<i>Note</i>)	1,469	4,326
Rental income	2,397	2,294
Service income	1,266	1,029
Reversal of provision for warranties	32	75
Sundry income	195	—
	<u>9,692</u>	<u>12,103</u>
Other gain/(loss), net		
Gain/(Loss) on disposal of property, plant and equipment	10	(12)
Net foreign exchange gain/(loss)	5,303	(2,792)
	<u>5,313</u>	<u>(2,804)</u>

Note:

Government grants of approximately RMB215,000 (2020: Nil) have been received in August and December 2020 in respect of subsidy for staff costs according to the Employment Support Scheme (“ESS”) launched by The government of the Hong Kong Special Administrative Region, which aims to provide time-limited financial support to the Group for the period from June to November 2020 to retain employees who may otherwise be redundant. The amount has been recognised as other income during the year ended 30 June 2021 as the Group has fulfilled all the conditions and other contingencies attached to the receipts.

Government grants of approximately RMB1,254,000 (2020: RMB4,326,000) represent unconditional incentives and subsidies granted to the PRC subsidiary by the local authorities.

6 FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	<u>120</u>	<u>200</u>

7 LOSS BEFORE TAXATION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Staff costs		
Contributions to defined contribution retirement plans	830	1,044
Salaries, wages and other benefits	<u>33,890</u>	<u>32,590</u>
	<u><u>34,720</u></u>	<u><u>33,634</u></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 16% (2020: 16%) 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. Contributions made under the Defined Contribution Scheme vest immediately.

The Group maintains a mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. 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. Contributions made under the MPF Scheme vest immediately.

The Group’s contributions under the Defined Contribution Scheme and the MPF Scheme have been expensed as incurred and no forfeited contributions were available to reduce its contributions payable in the future years.

The Group has no other material obligation for the payment of pension benefits associated with the two schemes beyond the annual contributions described above.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(b) Other items		
Depreciation expenses		
— property, plant and equipment	28,945	42,975
— right-of-use assets	1,256	1,896
Research and development costs	6,482	6,469
Reversal of provision for warranties	(32)	(75)
Auditor’s remuneration		
— Audit services	1,800	1,800
Expenses relating to short-term leases	858	469
Cost of inventories sold	<u>117,138</u>	<u>104,948</u>

8 INCOME TAX CREDIT

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Current year	—	—
Deferred tax		
Credited to profit or loss	<u>1,244</u>	<u>8,585</u>
	<u><u>1,244</u></u>	<u><u>8,585</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before taxation	<u>(27,144)</u>	<u>(96,525)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(4,138)	(14,693)
Tax effect of non-taxable revenue	(4,765)	(873)
Tax effect of non-deductible expenses	6,559	11,618
Tax effect of temporary differences	1,244	8,585
Tax effect of estimated tax losses not recognised	<u>2,344</u>	<u>3,948</u>
Actual income tax credit	<u>1,244</u>	<u>8,585</u>

9 DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2021 (2020: Nil). The directors of the Company do not recommend the payment of final dividend after the end of the reporting period (2020: Nil).

10 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 RMB25,900,000 (2020: approximately RMB87,940,000) and the weighted average number of 1,037,500,000 ordinary shares (2020: 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 RMB25,900,000 (2020: approximately RMB87,940,000) 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 2021 and 2020, diluted loss per share are equal to basic loss per share as there was no dilutive potential ordinary shares.

	2021 <i>'000</i>	2020 <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	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares (diluted)	<u>1,037,500</u>	<u>1,037,500</u>

11 TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	75,240	22,914
Other prepayments, deposits and receivables	<u>1,808</u>	<u>2,320</u>
	<u>77,048</u>	<u>25,234</u>

An analysis of trade receivables by age, presented based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–60 days	30,541	10,995
61–120 days	23,739	5,582
121–180 days	23,382	7,930
Over 180 days	<u>5,785</u>	<u>1,981</u>
Total trade receivables	83,447	26,488
Less: Accumulated impairment loss	<u>(8,207)</u>	<u>(3,574)</u>
Total trade receivables, net of impairment loss	<u>75,240</u>	<u>22,914</u>

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
United States dollars	4,260	4,610
Renminbi	<u>79,187</u>	<u>21,878</u>
	<u>83,447</u>	<u>26,488</u>

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

Movements in the impairment loss of trade receivables:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Balance at 1 July	3,574	928
Impairment loss	4,685	2,632
Exchange adjustments	<u>(52)</u>	<u>14</u>
Balance at 30 June	<u><u>8,207</u></u>	<u><u>3,574</u></u>

Impairment assessment under HKFRS 9

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

The expected credit loss on trade receivables is estimated using provision matrix by reference to the past default experience of debtors, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. During the years ended 30 June 2021 and 2020, the expected credit losses of trade receivables are determined as follows:

2021

	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>
Current (not past due)	0%–3.41%	77,662	2,458
Past due within 1 month	88%	303	267
Past due over 3 months	100%	<u>5,482</u>	<u>5,482</u>
		<u><u>83,447</u></u>	<u><u>8,207</u></u>

2020

	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>
Current (not past due)	6.5%	24,507	1,593
Past due over 3 months	100%	<u>1,981</u>	<u>1,981</u>
		<u><u>26,488</u></u>	<u><u>3,574</u></u>

12 TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	20,696	11,047
Other payables and accruals	43,428	44,474
	<u>64,124</u>	<u>55,521</u>

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows. The credit periods granted by various suppliers are generally 120 days.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month or on demand	10,372	8,697
Due after 1 month but within 3 months	9,483	2,014
Due after 3 months but within 6 months	82	124
Over 6 months	759	212
	<u>20,696</u>	<u>11,047</u>

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

13 AUTHORISED AND ISSUED SHARE CAPITAL

There was no movements of the share capital of the Company during the years ended 30 June 2020 and 2021:

	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 2019, 30 June 2020 and 30 June 2021	<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 2019, 30 June 2020 and 30 June 2021	<u>0.1</u>	<u>1,037,500</u>	<u>103,750</u>	<u>91,360</u>

Note:

As at 30 June 2021 and 30 June 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

The Group primarily engages in the research and development, manufacture and sales of automation instruments. During the Year, the Group and the upstream and downstream enterprises of the Group were under the impact brought by the COVID-19 pandemic, which put considerable pressure on the Group's market development.

During the Year, there were still many uncertainties in the development of the COVID-19 pandemic around the world and the external environment. Some downstream industries were still facing difficulties and challenges with interwoven structural and cyclical problems, and the basis for economic recovery was not solid. Therefore, the Company will pay close attention to the market trends, timely adjust product strategies, optimize product structure, further develop its existing market, explore incremental market, deploy potential market, actively seek new growth opportunities, and gain the recognition of customers by virtue of advanced technical strength and reliable product quality.

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

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB122,511,000 (2020: approximately RMB93,042,000), representing approximately 95.7% (2020: approximately 93.8%) 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 RMB27,552,000, as compared to that of approximately RMB56,963,000 in 2020.

Horological instruments

Sales of horological instruments were approximately RMB5,568,000 (2020: approximately RMB6,164,000), which accounts for approximately 4.3% (2020: approximately 6.2%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB2,919,000, as compared to that of approximately RMB26,943,000 in 2020.

MANUFACTURING FACILITIES

The Group has large-scale production facilities located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) and Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the People's Republic of China (the "PRC"), covering a total site area of approximately 47,665 square meters.

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

PROSPECTS

The industrial automation control system devices manufacturing industry in which the Group operates is an important branch of the instrument industry. With the effective control of the COVID-19 pandemic in China, the end-user consumption gradually recovered after the market stabilization. The economic resilience of China in the post-epidemic period has been demonstrated, the development bonus of downstream markets have been released, and the market demand has increased, which will promote the sustainable development of the industrial automation instrument industry.

At the same time, China is accelerating the upgrade towards new economy, new momentum and new manufacturing direction. There is also an acceleration of the dual control policy of carbon neutralization and energy consumption and the "three-transformation" alteration, which contain technological transformation and equipment upgrade, providing a clear direction for industrial automation instrument based on digital, intelligent and green manufacturing layout and application scenarios.

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and regions. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the business operations of the Group.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB128,079,000 for the Year (2020: approximately RMB99,206,000), representing an increase of about 29.1% as compared to that of last year. The increase is mainly due to the increase in sales of automation instrument and technology products. Nevertheless, the Group remains adversely affected by the sluggish global economy and the COVID-19 pandemic which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent decrease in market demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Year, the Group's gross profit and loss from operations amounted to approximately RMB10,941,000 (2020: gross loss amounted to approximately RMB5,742,000) and approximately RMB27,024,000 (2020: approximately RMB96,325,000) respectively. The gross profit is mainly due to the increase in sales of automation instrument and technology products. The loss from operations included approximately RMB4,685,000 (2020: approximately RMB2,632,000) and RMB1,212,000 (2020: approximately RMB10,267,000) impairment loss on trade receivables and impairment loss on inventories respectively.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB11,048,000, as compared to that of approximately RMB721,000 in 2020. It is mainly due to the increase in sales and the result of adoption of a series of new product design which effectively lowered the raw material costs.

The segment of horological instruments suffered a gross loss of approximately RMB107,000, as compared to that of approximately RMB6,463,000 in 2020. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

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

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Year was approximately RMB25,900,000, as compared to that of approximately RMB87,940,000 in 2020. 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 RMB2.50 cents (2020: both RMB8.48 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 2021, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,418,120,000 (30 June 2020: approximately RMB1,462,143,000), approximately RMB1,468,031,000 (30 June 2020: approximately RMB1,471,276,000) and approximately RMB1,793,888,000 (30 June 2020: approximately RMB1,827,482,000) respectively.

Borrowings

As at 30 June 2021, the Group had no bank borrowings (30 June 2020: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2021 decreased by approximately RMB32,789,000 to approximately RMB1,774,929,000 (30 June 2020: approximately RMB1,807,718,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2021 was approximately 0.05 (30 June 2020: 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 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 2021, 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\$189 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.

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 13 to the consolidated results of the Group as contained in this announcement.

SIGNIFICANT INVESTMENTS

The Group had no significant investments held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 30 June 2021, the Group employed a total of 489 employees (30 June 2020: 529). 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 RMB34,720,000 (2020: approximately RMB33,634,000).

CHARGE ON ASSETS

As at 30 June 2021, the Group did not have any charges on its assets (30 June 2020: 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 2021.

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 2021, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB22,000 (30 June 2020: approximately RMB25,000).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (30 June 2020: Nil).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Code provision A.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

REMUNERATION COMMITTEE

The Group established its remuneration committee (the “Remuneration Committee”) since 2008 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises all three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

The Group established its audit committee (the "Audit Committee") since 2008 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Group's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Friday, 3 December 2021 to Wednesday, 8 December 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 2 December 2021.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

The annual consolidated financial results of the Group for the Year have been reviewed by the Audit Committee and are extracted from the annual consolidated financial statements for the Year to be included in the 2021 annual report of the Company.

The 2021 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

SUSPENSION OF TRADING

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

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

Hong Kong, 28 September 2021

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.