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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 2019

HIGHLIGHTS

1. Turnover increased by 23.8%;
2. Loss from operations decreased by 19.8%;
3. Net loss attributable to equity shareholders of the Company decreased by 19.9%;
4. Both basic and diluted loss per share were RMB4.58 cents.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 June 2019 (the "Year"), with the comparative figures for the preceding financial year ended 30 June 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019
(Expressed in Renminbi Yuan)

	Notes	**2019**	2018
		RMB'000	RMB'000
Revenue	3	**132,223**	106,840
Cost of sales		**(128,226)**	(129,306)
Gross profit/(loss)		**3,997**	(22,466)
Other income	5	**9,315**	15,765
Other (loss)/gain, net	5	**(8,912)**	5,245
Distribution costs		**(3,030)**	(2,759)
Administrative expenses		**(45,102)**	(48,349)
Fair value change in investment properties		**(2,590)**	(6,601)
Write-down of inventories		**(977)**	—
Impairment of trade receivables		**(704)**	(29)
Impairment of long term investment		**—**	(680)
Loss from operations		**(48,003)**	(59,874)
Finance costs		**—**	—
Loss before taxation	6	**(48,003)**	(59,874)
Income tax credit	7	**521**	618
Loss for the year attributable to equity shareholders of the Company		**(47,482)**	(59,256)
Loss per share (RMB cents)	9		
— basic		**(4.58)**	(5.71)
— diluted		**(4.58)**	(5.71)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019
(Expressed in Renminbi Yuan)

	2019	2018
	RMB'000	*RMB'000*
Loss for the year attributable to equity shareholders of the Company	**(47,482)**	(59,256)
Other comprehensive (expense)/income for the year, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Fair value change in financial assets at fair value through other comprehensive income	**(356)**	—
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**2,842**	(2,494)
Other comprehensive income/(expense) for the year	**2,486**	(2,494)
Total comprehensive expense for the year attributable to equity shareholders of the Company	**(44,996)**	(61,750)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019
(Expressed in Renminbi Yuan)

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**371,963**	423,948
Investment properties		**37,903**	40,792
Interests in leasehold land held for own use under operating leases		**8,275**	8,502
Deposits for the purchase of property, plant and equipment		**451**	511
Rental deposits		**199**	—
Financial assets at fair value through other comprehensive income		**6,964**	—
Long term investment		**—**	7,320
Deferred tax assets		**3,536**	3,303
		429,291	484,376
Current assets			
Inventories		**42,870**	42,988
Trade and other receivables	10	**63,140**	61,697
Cash and cash equivalents		**1,438,811**	1,439,211
		1,544,821	1,543,896
Current liabilities			
Trade and other payables	11	**60,887**	69,744
Provision for warranties		**534**	492
		61,421	70,236
Net current assets		**1,483,400**	1,473,660
Total assets less current liabilities		**1,912,691**	1,958,036
Non-current liabilities			
Deferred tax liabilities		**18,335**	18,623
		18,335	18,623
NET ASSETS		**1,894,356**	1,939,413
CAPITAL AND RESERVES			
Share capital	12	**91,360**	91,360
Reserves		**1,802,996**	1,848,053
TOTAL EQUITY		**1,894,356**	1,939,413

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019
(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 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 expense									
Currency translation differences	—	—	—	—	—	—	(2,494)	—	(2,494)
Total comprehensive expense	—	—	—	—	—	—	(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
Impact on initial application of HKFRS 9	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(61)**	**(61)**
Adjusted balance at 1 July 2018	**91,360**	**941,077**	**181,790**	**2,982**	**2,986**	**—**	**(22,225)**	**741,382**	**1,939,352**
Changes in equity for the year ended 30 June 2019:									
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(47,482)**	**(47,482)**
Other comprehensive income									
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**—**	**2,842**	**—**	**2,842**
Fair value change in financial assets at fair value through other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(356)**	**—**	**—**	**(356)**
Total comprehensive expense	**—**	**—**	**—**	**—**	**—**	**(356)**	**2,842**	**(47,482)**	**(44,996)**
Balance at 30 June 2019	**91,360**	**941,077**	**181,790**	**2,982**	**2,986**	**(356)**	**(19,383)**	**693,900**	**1,894,356**

NOTES:

1 BASIS OF PREPARATION

The consolidated results set out in this announcement does not constitute the Group's financial statements for the year ended 30 June 2019 but is extracted from those financial statements.

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

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

2 APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied a number of new standards and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 July 2018. These new standards and amendments have been applied by the Group for the first time in the current year unless otherwise specified.

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

The nature and the impact of each amendment is described below:

HKFRS 9 "Financial Instruments"

HKFRS 9 has replaced HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 July 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 July 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

(I) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income ("FVTOCI"); and
- at fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 July 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 July 2018 under HKAS 39** *RMB'000*	**Remeasurement** *RMB'000*	**Carrying amount as at 1 July 2018 under HKFRS 9** *RMB'000*
Trade receivables	Loans and receivables	Financial assets at amortised cost	60,492	(61)	60,431
Other receivables	Loans and receivables	Financial assets at amortised cost	978	—	978
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	1,439,211	—	1,439,211
Long term investment	Available-for-sales financial assets	Financial assets at FVTOCI	7,320	—	7,320

(II) Impairment

HKFRS 9 has introduced the "expected credit loss" model to replace the "incurred loss" model under HKAS 39. The "expected credit loss" model requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected credit loss" model to the following types of financial assets:

- Trade receivables
- Other receivables
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impairment loss upon initial application of HKFRS 9 are disclosed below.

Measurement of Expected Credit Loss ("ECL")

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group applies the HKFRS 9 simplified approach to measure ECL for all trade receivables that are within the scope of HKFRS 15. To measure the ECL, trade receivables have been assessed individually with outstanding significant balances and/or grouped based on shared credit risk characteristics. The expected credit loss on trade receivables are 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.

ECL for other financial assets at amortised cost, included cash and bank balances and other receivables, are assessed on 12-month ECL basis as it was assessed and concluded by the directors of the Company that there had been no significant increase in credit risk since initial recognition.

The following table is a reconciliation that shows how the closing loss allowance as at 30 June 2018 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 July 2018 determined in accordance with HKFRS 9:

	ECL on trade receivables *RMB'000*
Balance as at 30 June 2018	
— as originally stated	199
Remeasurement of impairment loss	61
Balance as at 1 July 2018	
— as restated	260

(III) Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

The Group does not have any financial liabilities designated at FVTPL and therefore the classification and measurement of the Group's financial liabilities have not been impacted by the initial application of HKFRS 9.

(IV) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in HKFRS 9 has not had any impact on the Group's consolidated financial statements.

(V) Effect on the Group's retained profits as of 1 July 2018

The following tables summarise the impact of transition to HKFRS 9 on retained profits and the related tax impact at 1 July 2018:

	RMB'000
Balance as at 30 June 2018 — as originally stated	741,443
Recognised of additional ECL	(61)
Balance as at 1 July 2018 — as restated	741,382

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has replaced HKAS 11 Construction contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application of HKFRS 15 (i.e. 1 July 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 July 2018.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation(s) in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation(s) in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation(s)

Under HKFRS 15, the Group recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of HKFRS 15 does not have significant impact on when the Group recognise revenue.

HK(IFRIC) Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

HK(IFRIC)-Int 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The application of HK(IFRIC)-Int 22 has not had any material impact on the consolidated financial position and the consolidated financial results.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HKFRS 3 (Amendments)	Definition of a Business[3]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture[5]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS (Amendments)	Annual Improvement to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income tax treatments[1]

(1) Effective for annual periods beginning on or after 1 January 2019.

(2) Effective for annual periods beginning on or after 1 January 2020.

(3) Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

(4) Effective for annual periods beginning on or after 1 January 2021.

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

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date of the commencement of the lease. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portions which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of RMB4,750,000. A preliminary assessment considered by the directors of the Company concluded that these arrangements will meet the definition of a lease under HKFRS 16. The Group intends to apply modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019 and will not restate the comparative information. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB4,254,000 and RMB4,254,000 respectively, after taking account the effects of discounting, as at 1 July 2019. While the assessment for the adoption of HKFRS 16 is still subject to final determination by the directors of the Company, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group.

HKFRS 17 Insurance Contracts

HKFRS 17 is not applicable to the Group as the Group is not engaged in insurance business.

HKFRS 3 (Amendments) Definition of Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

HKFRS 9 (Amendments) Prepayment Features with Negative Compensation

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively. The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met instead of at FVTPL. The second amendment clarifies, in the basis for conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

HKFRS 10 and HKAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transactions arise.

HKAS 1 and HKAS 8 (Amendments) Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

HKAS 19 (Amendments) Plan Amendment, Curtailment or Settlement

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

HKAS 28 (Amendments) Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the consolidated financial statements.

3 REVENUE

(a) 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:

	2019	2018
	RMB'000	*RMB'000*
Disaggregation of revenue from contracts with customers:		
Sales of automation instrument and technology products	**130,125**	99,110
Sales of horological instruments	**2,098**	7,730
	132,223	106,840

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 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 segment, such as head office or corporate administrative expenses. In addition to receiving segment information concerning adjusted loss from operations, management is provided with segment information concerning revenue, additions to non-current segment assets, depreciation and amortisation and loss allowance.

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 2019 and 2018 is set out below.

	Automation instrument and technology products		**Horological instruments**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**130,125**	99,110	**2,098**	7,730	**132,223**	106,840
Reportable segment loss (adjusted loss from operations)	**(31,139)**	(45,941)	**(10,697)**	(18,932)	**(41,836)**	(64,873)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Nil).

	Automation instrument and technology products		**Horological instruments**		**Total**	
	At 30 June 2019 *RMB'000*	At 30 June 2018 *RMB'000*	**At 30 June 2019** *RMB'000*	At 30 June 2018 *RMB'000*	**At 30 June 2019** *RMB'000*	At 30 June 2018 *RMB'000*
Reportable segment assets	**379,774**	390,969	**103,979**	140,695	**483,753**	531,664
Reportable segment liabilities	**15,234**	15,104	**467**	3,560	**15,701**	18,664

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue		
Reportable segment revenue	**132,223**	106,840
Revenue	**132,223**	106,840

	2019 *RMB'000*	2018 *RMB'000*
Profit or loss		
Reportable segment loss	**(41,836)**	(64,873)
Bank interest income	**4,353**	4,374
Unallocated head office and corporate income	**2,683**	16,556
Unallocated head office and corporate expenses	**(13,203)**	(15,931)
Loss before taxation	**(48,003)**	(59,874)
Income tax credit	**521**	618
Loss for the year	**(47,482)**	(59,256)

	2019 *RMB'000*	2018 *RMB'000*
Assets		
Reportable segment assets	**483,753**	531,664
Unallocated head office and corporate assets	**1,490,359**	1,496,608
Total assets	**1,974,112**	2,028,272

	2019	2018
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**15,701**	18,664
Unallocated head office and corporate liabilities	**64,055**	70,195
Total liabilities	**79,756**	88,859

(c) Other segment information

	Automation instrument and technology products		**Horological instruments**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation	**43,171**	41,141	**696**	3,209
Addition to non-current segment assets during the year	**1,198**	188	**—**	—
Impairment of trade receivables	**114**	—	**590**	29
Reversal of impairment of trade receivables	**(43)**	—	**—**	—

(d) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, interests in leasehold land held for own use under operating leases 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**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**—**	474	**207**	22
People's Republic of China ("PRC") (excluding Hong Kong)	**131,439**	106,366	**418,584**	481,051
Others	**784**	—	**—**	—
	132,223	106,840	**418,791**	481,073

(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	**2019** *RMB'000*	2018 *RMB'000*
Customer A	Automation instrument and technology products	**13,437**	11,035
Customer B	Automation instrument and technology products	**N/A(*)**	10,888
Customer C	Automation instrument and technology products	**14,717**	N/A(*)

(*): Revenue from Customer B did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2019.

Revenue from Customer C did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2018.

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

	2019 *RMB'000*	2018 *RMB'000*
Other income		
Bank interest income	**4,353**	4,374
Government grants *(note)*	**—**	5,000
Rental income	**2,184**	2,461
Service income	**648**	—
Reversal of provision for warranties	**—**	80
Reversal of impairment loss recognised on trade receivables	**43**	—
Retail sales	**—**	325
Income from processing of water meters	**—**	3,372
Written back on unclaimed other payables	**1,556**	—
Sundry income	**531**	153
	9,315	15,765
Other (loss)/gain, net		
(Loss)/Gain on disposal of property, plant and equipment	**(5,944)**	2,588
Gain on disposal of investment properties	**101**	—
Net foreign exchange (loss)/gain	**(3,069)**	2,657
	(8,912)	5,245

Notes:

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

Income from processing of water meters was recognised as sales of automation instrument and technology products during the year ended 30 June 2019.

6 LOSS BEFORE TAXATION

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

	2019	2018
	RMB'000	*RMB'000*
(a) Staff costs		
Contributions to defined contribution retirement plans	**1,934**	1,825
Salaries, wages and other benefits	**36,170**	35,258
	38,104	37,083

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.

		2019	2018
		RMB'000	*RMB'000*
(b)	**Other items**		
	Depreciation	**44,418**	45,063
	Amortisation	**227**	227
	Research and development costs	**9,019**	12,465
	Provision/(Reversal of provision) for warranties	**42**	(80)
	Auditors' remuneration		
	— Audit services	**1,800**	1,700
	Operating lease charges in respect of properties	**2,301**	2,232
	Cost of inventories sold*	**128,226**	129,306

* Cost of inventories sold includes approximately RMB63,063,000 (2018: approximately RMB59,404,000) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

7 INCOME TAX CREDIT

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Current year	**—**	—
Deferred tax:		
Credited to profit or loss	**(521)**	(618)
	(521)	(618)

(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:

	2019	2018
	RMB'000	*RMB'000*
Loss before taxation	**(48,003)**	(59,874)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**(11,598)**	(14,000)
Tax effect of non-taxable revenue	**(2,116)**	(4,520)
Tax effect of non-deductible expenses	**7,446**	7,499
Tax effect of temporary differences	**(521)**	(618)
Tax effect of estimated tax losses not recognised	**6,268**	11,021
Actual income tax credit	**(521)**	(618)

8 DIVIDENDS

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

	2019	2018
	RMB'000	*RMB'000*
No dividend proposed after the end of the reporting period (2018: Nil)	**—**	—

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB47,482,000 (2018: approximately RMB59,256,000) and the number of 1,037,500,000 ordinary shares (2018: 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 RMB47,482,000 (2018: approximately RMB59,256,000) 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 2019 and 2018, diluted loss per share are equal to basic loss per share as there was no dilutive potential ordinary shares.

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	**—**	—
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,037,500

10 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables *(note)*	**61,739**	60,492
Other prepayments, deposits and receivables	**1,401**	1,205
	63,140	61,697

Note:

Trade receivables

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

	2019	2018
	RMB'000	*RMB'000*
0–60 days	**21,457**	22,536
61–120 days	**20,115**	19,874
121–180 days	**20,322**	18,110
Over 180 days	**773**	171
Total trade receivables	**62,667**	60,691
Less: Accumulated impairment loss	**(928)**	(199)
Total trade receivables, net of impairment loss	**61,739**	60,492

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

	2019	2018
	RMB'000	*RMB'000*
United States dollars	**792**	226
Renminbi	**61,875**	60,465
	62,667	60,691

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

No interest is charged on the trade receivables.

Movements in the impairment loss of trade receivables:

	2019	2018
	RMB'000	*RMB'000*
Balance at 30 June 2018 under HKAS 39	**199**	N/A
Effect of initial application of HKFRS 9	**61**	N/A
Balance at 1 July	**260**	179
Impairment loss	**704**	29
Reversal of impairment loss	**(43)**	—
Exchange adjustments	**7**	(9)
Balance at 30 June	**928**	199

Impairment assessment under HKFRS 9 for the year ended 30 June 2019

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 year ended 30 June 2019, the expected credit losses of trade receivables are determined as follows:

	Expected credit loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Current (not past due)	0.25%	61,894	155
Past due over 3 months	100%	773	773
		62,667	928

Impairment assessment under HKAS 39 for the year ended 30 June 2018

The Group monitors the recoverable amount of the trade debts and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period.

11 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**13,769**	18,528
Other payables and accruals	**47,118**	51,216
	60,887	69,744

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

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**5,878**	12,634
Due after 1 month but within 3 months	**7,359**	5,528
Due after 3 months but within 6 months	**109**	83
Over 6 months	**423**	283
	13,769	18,528

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

12 SHARE CAPITAL

There was no movements of the authorised share capital of the Company during the years ended 30 June 2018 and 2019:

	Par value	Number of shares	Nominal value of ordinary shares	
	HK$	*'000*	*HK$'000*	*RMB'000*
Authorised:				
At 1 July 2017, 30 June 2018 and 30 June 2019	0.1	10,000,000	1,000,000	880,500
Issued and fully paid:				
At 1 July 2017, 30 June 2018 and 30 June 2019	0.1	1,037,500	103,750	91,360

Note:

As at 30 June 2019 and 30 June 2018, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 EQUITY SETTLED SHARE-BASED PAYMENTS

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

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

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

As at 30 June 2019, the number of shares available for issue under the Scheme was 103,750,000 (2018: 103,750,000), representing 10% of the issued shares of the Company.

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

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

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. No share options were granted to the Company's directors and employees during the years ended 30 June 2019 and 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As at 30 June 2019, the principal business of the Group were the research, development, manufacture and sales of automation instruments and downstream customers mainly operate in traditional industries. For the time being, the changes of the international environment and the gradual slowdown of the growth of the domestic economy and industrial growth may cause the future growth rate to further slow down. The deceleration of industrial consumption, investment and export demand, the reduced number of new projects as well as the shrinkage of market demand impose a higher pressure on the market development of the Group.

During the Year, the Group followed the trend of a new round of industrial development and technological innovation, and was devoted to the implementation of innovation-driven development strategy to promote a high-level, original and strategic technological breakthrough. The Group has also accelerated the pace of new technique and technological research and development and the pace of transformation of achievements, which continuously enhance the core competitiveness of products. The Group also kept stringent quality control and ensured an effective operation of the "three systems", which comprised the quality management system, the environmental management system and the occupational health and safety management system.

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 RMB130,125,000 (2018: approximately RMB99,110,000), representing approximately 98.4% (2018: approximately 92.8%) 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 RMB31,139,000, as compared to a reportable segment loss of approximately RMB45,941,000 in 2018.

Horological instruments

Sales of horological instruments were approximately RMB2,098,000 (2018: approximately RMB7,730,000), which accounts for approximately 1.6% (2018: approximately 7.2%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB10,697,000, as compared to a reportable segment loss of approximately RMB18,932,000 in 2018.

MANUFACTURING FACILITIES

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

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

PROSPECTS

The industrial automation products of the Group belong to a sector of the instruments industry, which is not only an important component of the equipment industry, but also one of the cores of advanced manufacturing industries developed by China. Following the significant heightening of uncertainty and complexity of the global economic and financial markets, the great difficulties arising from the transformation of the domestic economy and the increased pressure of industrial economic downturn have imposed new test and challenge to the development of the industry.

In the meantime, the Chinese government's active promotion of digital and intellectualization transformation of traditional industries, upgrade and reformation of traditional industries as well as the development trend and orientation of "internet+advanced manufacturing industries" and smart cities, has given birth to new industrial scenario, new demand, new landscape and new application, which will generate new market and far-reaching development prospect for the automation instrument industry.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB132,223,000 for the Year (2018: approximately RMB106,840,000), representing an increase of about 23.8% 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 is still adversely affected by the sluggish global economy which causes delay in commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent decrease in 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 RMB3,997,000 (2018: gross loss amounted to approximately RMB22,466,000) and approximately RMB48,003,000 (2018: approximately RMB59,874,000) respectively. The decrease in gross loss is mainly due to the increase in sales of automation instrument and technology products and the result of adoption of a series of new product design which effectively lowered the raw material costs. The loss from operations included approximately RMB2,590,000 (2018: approximately RMB6,601,000) fair value loss of investment properties.

The segment of automation instrument and technology products recorded a gross profit for the Year. It is mainly due to the increase in sales.

The segment of horological instruments suffered a gross loss for the Year. It is mainly due to the decrease in sales. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

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

Net loss

The loss attributable to equity shareholders of the Company for the Year was approximately RMB47,482,000, as compared to that of approximately RMB59,256,000 in 2018. 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 RMB4.58 cents (2018: both RMB5.71 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 2019, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,438,811,000 (30 June 2018: approximately RMB1,439,211,000), approximately RMB1,483,400,000 (30 June 2018: approximately RMB1,473,660,000) and approximately RMB1,912,691,000 (30 June 2018: approximately RMB1,958,036,000) respectively.

Borrowings

As at 30 June 2019, the Group had no bank borrowings (30 June 2018: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2019 decreased by approximately RMB45,057,000 to approximately RMB1,894,356,000 (30 June 2018: approximately RMB1,939,413,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2019 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 ("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 2019, 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$164 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$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 12 to the consolidated results of the Group as contained in this announcement.

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED AND JOINT VENTURES

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

EMPLOYEES AND SHARE OPTION SCHEME

As at 30 June 2019, the Group employed a total of 552 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 Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB38,104,000 (2018: approximately RMB37,083,000).

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

CHARGE ON ASSETS

As at 30 June 2019, 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 30 June 2019.

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 2019, the Group had capital expenditure contracted for but not provided in the financial statements amounted to approximately RMB902,000 (30 June 2018: approximately RMB891,000) and had cancelled all outstanding capital expenditure authorised but not contracted for capital commitments in the consolidated financial statements (30 June 2018: approximately RMB52,484,000).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (30 June 2018: Nil).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2018: 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 of Hong Kong Limited (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 2019.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Thursday, 21 November 2019 to Wednesday, 27 November 2019, 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 Wednesday, 20 November 2019.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

The annual consolidated financial results of the Group for the Year have been reviewed by the Audit Committee and are extracted from the annual consolidated financial statements for the Year to be included in the 2019 annual report of the Company.

The 2019 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.net and the Stock Exchange's website at www.hkexnews.hk in due course.

SUSPENSION OF TRADING

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

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

Hong Kong, 27 September 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.