



中國高精密自動化集團有限公司

CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 591

Interim Report 2022/2023



HIGHLIGHTS

Revenue of the Group for the six months ended 31 December 2022 amounted to approximately RMB70,756,000, representing an increase of approximately 0.14% as compared to that of approximately RMB70,654,000 for the corresponding period in 2021;

Loss from operations for the six months ended 31 December 2022 amounted to approximately RMB3,073,000, as compared to that of approximately RMB1,962,000 for the corresponding period in 2021;

Net loss attributable to owners of the Company for the six months ended 31 December 2022 amounted to approximately RMB3,087,000, as compared to that of approximately RMB1,997,000 for the corresponding period in 2021;

Basic and diluted loss per share were RMB0.30 cents and RMB0.30 cents respectively for the six months ended 31 December 2022;

Shareholders' equity amounted to approximately RMB1,738,248,000 as at 31 December 2022;

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Fun Chung (*Chairman and Chief Executive Officer*)
Mr. Zou Chong
Mr. Su Fang Zhong
Mr. Cheung Chuen

Independent Non-executive Directors

Mr. Chan Yuk Hiu, Taylor
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

AUDIT COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

REMUNERATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

NOMINATION COMMITTEE

Mr. Chan Yuk Hiu, Taylor (*Chairman*)
Ms. Ji Qin Zhi
Dr. Hu Guo Qing

COMPANY SECRETARY

Mr. Cheung Chuen, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Cheung Chuen
Mr. Wong Fun Chung

REGISTERED OFFICE

Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

16 Xing Ye West Road,
Mawei Hi-Tech Development Zone,
Fuzhou 350015,
The PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 703, Jubilee Centre,
18 Fenwick Street, Wanchai,
Hong Kong

COMPANY'S WEBSITE

www.chpag.cn

AUDITOR

CROWE (HK) CPA LIMITED
*Certified Public Accountants and Registered Public Interest
Entity Auditor*

LEGAL ADVISERS

As to Hong Kong Laws
Fred Kan & Co.
Loeb & Loeb LLP

As to PRC Laws
Fujian Hantan Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. BOX 1586, Gardenia Court,
Camana Bay,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
China Everbright Bank Co., Ltd.

STOCK CODE

591

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2022
(Expressed in Renminbi Yuan)

RESULTS

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2022 (the "Period") together with the comparative figures for the corresponding period in 2021 and the relevant explanatory notes as follows:

	Note	Six months ended 31 December	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	70,756	70,654
Cost of sales and services rendered		(51,819)	(49,259)
Gross profit		18,937	21,395
Other income	4	3,986	6,521
Other gain, net	4	805	823
Distribution expenses		(1,246)	(1,102)
Administrative expenses		(25,215)	(29,306)
Impairment loss on trade receivables recognised under expected credit loss model		(340)	(293)
Loss from operations		(3,073)	(1,962)
Finance costs — Interest on lease liabilities		(14)	(35)
Loss before taxation	5	(3,087)	(1,997)
Income tax	6	—	—
Loss for the period attributable to owners of the Company		(3,087)	(1,997)
Loss per share			
— Basic and diluted (RMB cents per share)	7	(0.30)	(0.19)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period	(3,087)	(1,997)
Other comprehensive (expenses)/income for the period, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	40,231	(14,036)
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	(38,893)	13,192
Other comprehensive income/(expense) for the period	1,338	(844)
Total comprehensive expenses for the period attributable to owners of the Company	(1,749)	(2,841)

Consolidated Statement of Financial Position

As at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	225,607	237,047
Right-of-use assets		7,304	7,659
Investment properties		32,744	32,744
Deposits paid for the acquisition of property, plant and equipment		276	276
Financial assets at fair value through other comprehensive income ("FVTOCI")		4,401	4,401
Deferred tax assets		12,882	12,882
		283,214	295,009
Current assets			
Inventories		19,969	20,367
Trade and other receivables	10	71,134	72,632
Bank balances and cash		1,437,390	1,433,668
		1,528,493	1,526,667
Current liabilities			
Trade and other payables	11	54,261	62,227
Lease liabilities		464	545
Provision for warranties		551	559
		55,276	63,331
Net current assets		1,473,217	1,463,336
Total assets less current liabilities		1,756,431	1,758,345
Non-current liabilities			
Lease liabilities		—	165
Deferred tax liabilities		18,183	18,183
		18,183	18,348
NET ASSETS		1,738,248	1,739,997
CAPITAL AND RESERVES			
Share capital		91,360	91,360
Reserves		1,646,888	1,648,637
TOTAL EQUITY		1,738,248	1,739,997

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to owners of the Company								
	Share capital	Share premium	Surplus reserve	Other reserve	Revaluation reserve	FVOCI reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2021	91,360	941,077	181,790	2,982	2,986	(3,005)	(22,321)	580,060	1,774,929
Changes in equity for the year ended 30 June 2022:									
Loss for the year	—	—	—	—	—	—	—	(35,884)	(35,884)
Exchange differences arising on translation	—	—	—	—	—	—	656	—	656
Fair value change in financial assets at FVTOCI	—	—	—	—	—	296	—	—	296
Total comprehensive expenses for the year	—	—	—	—	—	296	656	(35,884)	(34,932)
Balance at 30 June 2022 and 1 July 2022	91,360	941,077	181,790	2,982	2,986	(2,709)	(21,665)	544,176	1,739,997
Changes in equity for the six months ended 31 December 2022:									
Loss for the Period	—	—	—	—	—	—	—	(3,087)	(3,087)
Other comprehensive expenses	—	—	—	—	—	—	1,338	—	1,338
Total comprehensive expenses	—	—	—	—	—	—	1,338	(3,087)	(1,749)
Balance at 31 December 2022	91,360	941,077	181,790	2,982	2,986	(2,709)	(20,327)	541,089	1,738,248

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2022
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash generated from operations	1,991	2,603
Income taxes paid	—	—
Net cash generated from operating activities	1,991	2,603
Net cash generated from investing activities	1,992	2,060
Net cash used in financing activities	(261)	(499)
Net increase in cash and cash equivalents	3,722	4,164
Cash and cash equivalents at beginning of the period	1,433,668	1,418,120
Cash and cash equivalents at end of the period represented by bank balances and cash	1,437,390	1,422,284

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 February 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 30 June 2022 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2022 are available from the Company’s registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 30 September 2022.

2. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

3. REVENUE

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

Disaggregation of the Group's revenue from contracts with customers for the periods ended 31 December 2022 and 2021 is as follows:

		Six months ended 31 December	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of goods	Segments		
Sales of automation instrument and technology products	Automation instrument and technology products	67,284	69,050
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	3,472	1,250
Sales of horological instruments	Horological instruments	—	354
		70,756	70,654

During the Period, all the revenue from contracts with customers is recognised at a point in time and were arisen in the PRC.

4. OTHER INCOME AND OTHER GAIN, NET

		Six months ended 31 December	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income/(loss)			
Bank interest income		1,992	2,123
Rental income		1,741	1,243
Government grants		56	2,665
Reversal of provision/(Provision) for warranties		8	(95)
Service income		—	585
Sundry income		189	—
		3,986	6,521
Other gain/(loss), net			
Net foreign exchange gain		805	839
Loss on disposal of property, plant and equipment		—	(16)
		805	823

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	896	24
Salaries, wages and other benefits	18,063	18,139
	18,959	18,163

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

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

The Group had no forfeited contributions under the Defined Contribution Scheme and the MPF Scheme which may be used to reduce the existing level of contributions during the Period (2021: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the Period (2021: Nil).

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

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(b) Other items:		
Depreciation of property, plant and equipment	11,440	11,875
Depreciation of right-of-use assets	355	534
Research and development costs recognised as expense	2,691	2,786
(Reversal of provision)/Provision for warranties	(8)	95
Lease payments not included in the measurement of lease liabilities	247	491
Cost of sales and services rendered	51,819	49,259

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

6. INCOME TAX

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax — the PRC		
Provision for the period	—	—
Deferred tax	—	—
	—	—

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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

From 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As Fujian Wide Plus is directly and wholly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax under the double tax arrangement between Hong Kong and the PRC. Deferred tax liabilities have been recognised for undistributed retained profits of Fujian Wide Plus earned since 1 January 2008 till 30 June 2009 to the extent that the profits are likely to be distributed in the foreseeable future.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB3,087,000 (unaudited) (six months ended 31 December 2021: RMB1,997,000 (unaudited)) and the weighted average number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2021: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

(b) Diluted loss per share

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

8. SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Reportable segment revenue	70,756	70,300	—	354	70,756	70,654
Reportable segment loss (adjusted loss from operations)	(226)	(650)	(4,416)	(5,791)	(4,642)	(6,441)

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2022	At 30 June 2022	At 31 December 2022	At 30 June 2022	At 31 December 2022	At 30 June 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Reportable segment assets	284,636	295,452	3,963	7,610	288,599	303,062
Addition to non-current segment assets during the six months ended 31 December 2022/year	—	332	—	—	—	332
Reportable segment liabilities	16,005	22,058	60	60	16,065	22,118

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

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	70,756	70,654
Revenue	70,756	70,654

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit or loss		
Reportable segment loss	(4,642)	(6,441)
Unallocated head office and corporate income/(expenses)	1,555	4,444
Loss before taxation	(3,087)	(1,997)
	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
Assets		
Reportable segment assets	288,599	303,062
Unallocated head office and corporate assets		
— Investment properties	32,744	32,744
— Financial assets at FVTOCI	4,401	4,401
— Deferred tax assets	12,882	12,882
— Bank and cash balances	1,437,390	1,433,668
— Other corporate assets	35,691	34,919
	1,523,108	1,510,123
Consolidated total assets	1,811,707	1,821,676
	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
Liabilities		
Reportable segment liabilities	16,065	22,118
Unallocated head office and corporate liabilities		
— Deferred tax liabilities	18,183	18,183
— Other corporate liabilities	39,211	41,378
	57,394	59,561
Consolidated liabilities	73,459	81,679

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group acquired items of property, plant and equipment amounting to RMBNil (unaudited) (six months ended 31 December 2021: RMB69,000 (unaudited)).

10. TRADE AND OTHER RECEIVABLES

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

	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
0–60 days	21,616	27,701
61–120 days	23,143	22,819
121–180 days	24,282	19,703
Over 180 days	—	—
	69,041	70,223

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

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis, based on invoice date:

	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
0–30 days	5,342	9,055
31–90 days	6,765	9,800
91–180 days	207	61
Over 180 days	691	663
	13,005	19,579

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

12. DIVIDENDS

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

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2021: RMBNil (unaudited) per ordinary share)	—	—

13. COMMITMENTS

(a) Operating leases

The Group as lessor

The investment properties held by the Group for rental purposes have committed lessee for one year.

Undiscounted lease payment receivable on leases are as follows:

	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
Within 1 year	786	1,940
In the second to fifth year in inclusive	—	—
	786	1,940

(b) Capital commitments

	At 31 December 2022 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Audited)
— Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	—	—
	—	—

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

14. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	1,477	1,407
Contribution to retirement benefit schemes	11	11
	1,488	1,418

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

The Group continues to focus on its principal business of research and development, manufacture and sales of automation instruments. During the Period, the sales of the Group's products was affected to a certain extent amidst the on-going COVID-19 pandemic across the globe; however, the development of downstream industries such as petrochemical, metallurgy, electric power, light industrial building materials served by the Group were closely related to the national industrial policies and macroeconomic operation, and since during the Period and up to the beginning of this year, under the national and local governments' implementation of a series of measures in stabilizing the economy and policies in boosting the industrial economy, the construction of downstream market projects continued to advance. Hence, the overall development trend of the Group remained stable.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the Period, sales of high precision industrial automation instrument and technology products amounted to approximately RMB70,756,000 (six months ended 31 December 2021: approximately RMB70,300,000), representing approximately 100.0% (six months ended 31 December 2021: approximately 99.5%) of the Group's total turnover. The Group continued to focus on the production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. Reportable segment loss of this business segment was approximately RMB226,000 for the Period as compared to that of approximately RMB650,000 for the corresponding period in 2021.

Horological instruments

Sales of horological instruments amounted to approximately RMBNil (six months ended 31 December 2021: approximately RMB354,000), representing approximately 0.0% (six months ended 31 December 2021: approximately 0.5%) of the Group's total turnover during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. This segment recorded reportable segment loss of approximately RMB4,416,000 for the Period as compared to that of approximately RMB5,791,000 for the corresponding period in 2021.

MANUFACTURING FACILITIES

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

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

PROSPECTS

China is currently the most important market for automation instruments and control devices in the world. Relevant domestic enterprises actively participate in market competition by virtue of their localization advantages and policy support. With the continuous advancement of industrial digitalization and intelligence in China, the market space for intelligent instruments and meters is huge and the industry concentration is increasing gradually. As a leading enterprise in the domestic industrial automation control system device manufacturing industry, the Group is increasingly mature in terms of production scale, design process, manufacturing technology, product quality and service support, and hence has strong competitive strength.

In the short term, due to the impact of the COVID-19 pandemic, the industrial chain and supply chain have been significantly affected, while investment, consumption and trade have been under great downward pressure. The Company will continue to pay attention to the development of the COVID-19 pandemic and strive to reduce the adverse impact thereof.

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been 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 RMB70,756,000 for the Period (six months ended 31 December 2021: approximately RMB70,654,000), representing a slight increase of approximately 0.14% as compared to that of the corresponding period in 2021. The increase is mainly due to the increase in sales of industrial automation instrument products during the Period. Nonetheless, the Group is still adversely affected by the sluggish global economy and the COVID-19 outbreak which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent low market demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB18,937,000 (six months ended 31 December 2021: approximately RMB21,395,000) and approximately RMB3,073,000 (six months ended 31 December 2021: approximately RMB1,962,000) respectively. The decrease in gross profit is mainly due to the increase in staff costs.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB18,937,000 for the Period (six months ended 31 December 2021: approximately RMB21,385,000). The decrease is mainly due to the increase in staff costs.

The segment of horological instruments recorded no sales during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

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

Management Discussion and Analysis

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Period was approximately RMB3,087,000, as compared to that of approximately RMB1,997,000 for the corresponding period in 2021. It was mainly due to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Period were RMB0.30 cents (six months ended 31 December 2021: both RMB0.19 cents).

Capital Structure, Liquidity and Financial Resources

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

As at 31 December 2022, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,437,390,000 (30 June 2022: approximately RMB1,433,668,000), approximately RMB1,473,217,000 (30 June 2022: approximately RMB1,463,336,000) and approximately RMB1,756,431,000 (30 June 2022: approximately RMB1,758,345,000) respectively.

Borrowings

As at 31 December 2022, the Group had no bank borrowings (30 June 2022: Nil).

Equity

Total equity attributable to owners of the Company as at 31 December 2022 decreased by approximately RMB1,749,000 to approximately RMB1,738,248,000 (30 June 2022: approximately RMB1,739,997,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 31 December 2022 was approximately 0.04 (30 June 2022: approximately 0.05).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

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

1. Approximately HK\$711 million will be used for establishment of production facilities for new products of the Group;
2. Approximately HK\$129 million will be used for research and development efforts;
3. Approximately HK\$81 million will be used for network development and sales support services;
4. Approximately HK\$18 million will be used for the Group's information system development; and
5. Approximately HK\$104 million will be used for general working capital.

Management Discussion and Analysis

Up to 31 December 2022, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$194 million were used for research and development efforts;
3. Approximately HK\$45 million were used for network development and sales support services; and
4. Approximately HK\$4 million were used for the Group's information system development.

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

SIGNIFICANT INVESTMENTS

The Group held no significant investment during the Period.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 31 December 2022 the Group employed a total of 477 employees (30 June 2022: 467). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration package within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to approximately RMB18,959,000 (six months ended 31 December 2021: approximately RMB18,163,000). Training activities are provided to staff, which included new employees orientation, technical training, professional skill enhancement training, safety training, external classes, regular voluntary firemen training, training seminars and expat training.

CHARGE ON ASSETS

As at 31 December 2022, the Group did not have any charges on its assets (30 June 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

The Group had no future plans for material investments or capital assets as at 31 December 2022.

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.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENT

As at 31 December 2022, the Group had no capital expenditure contracted for but not provided in the interim financial report (30 June 2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (30 June 2022: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2022

There was no important events affecting the Group which have occurred during the period from 1 January 2023 to the date of this interim report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the ordinary shares and underlying shares of the Company:

Directors	Number of ordinary shares and underlying shares held, capacity and nature of interest			Approximate percentage of the issued share capital of the Company
	Directly held interest	Through controlled corporation	Total	
Mr. Wong Fun Chung ("Mr. Wong")	342,942,082	39,824,704 (note 1)	382,766,786	36.89% (note 2)

Notes:

- 39,824,704 shares were held by Fortune Plus Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 66.6% by Mr. Wong. Therefore Mr. Wong is deemed to be interested in these shares under the SFO.
- As at 31 December 2022, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2022, so far as is known to any Directors or chief executive of the Company, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

Shareholders	Number of Shares	Approximate percentage of the issued share capital of the Company
Capital Research and Management Company	83,390,000	8.04 (note 1)

Note:

1. As at 31 December 2022, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2022, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective associates (as defined in the Listing Rules), or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Code Provision C.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

REMUNERATION COMMITTEE

As at 31 December 2022 and the date of this interim report, the remuneration committee of the Board (the "Remuneration Committee") comprises three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman. The Remuneration Committee is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Other Information

NOMINATION COMMITTEE

The Group established a nomination committee (the “Nomination Committee”) since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. As at 31 December 2022 and the date of this interim report, the Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

AUDIT COMMITTEE

The Board established an audit committee (the “Audit Committee”) since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company’s financial information, and to perform other duties and responsibilities as assigned by the Board. As at 31 December 2022 and the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results and this interim report for the six months ended 31 December 2022, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The Audit Committee considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2022 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL REPORT

The Company’s unaudited interim results announcement and this interim report have been published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.chpag.cn.

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 February 2023