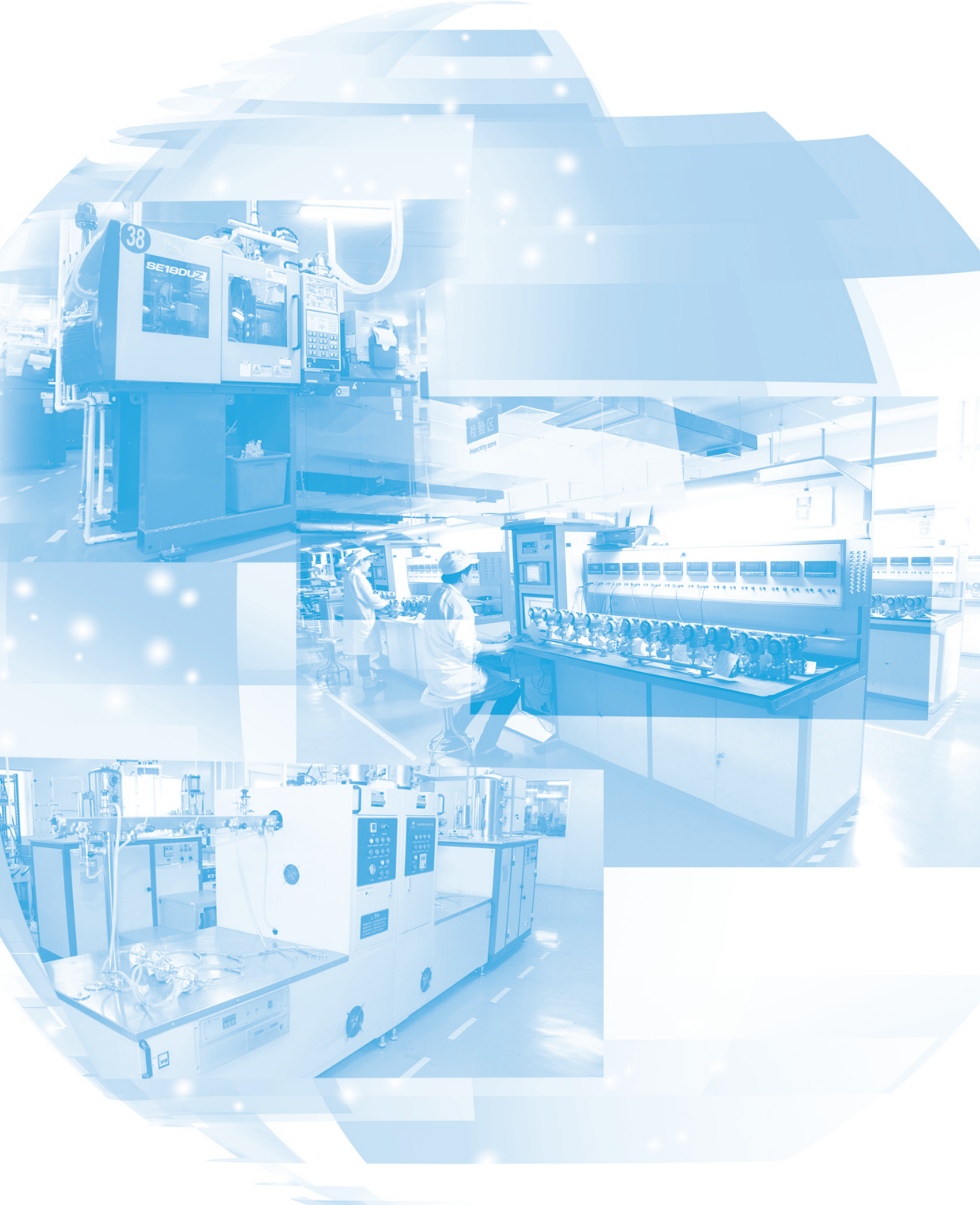
中國高精密自動化集團有限公司
CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 591

2023/2024 Annual Report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Inspecting zone

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Financial highlights

	2024 RMB'000	2023 RMB'000	Increase/ (decrease) %
Revenue	139,203	141,536	(1.6)
Loss from operations	(33,236)	(21,734)	52.9
Loss attributable to owners of the Company	(32,735)	(22,692)	44.3
Loss per share (RMB cents)			
— basic and diluted	RMB(3.16) cents	RMB(2.19) cents	44.3
Shareholders' equity	1,690,688	1,720,592	(1.7)

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

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Chairman's statement

On behalf of the board of directors of China High Precision Automation Group Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2024 (the "Year") to the shareholders for their review.

During the Year, the revenue of the Group amounted to approximately RMB139,203,000, representing a decrease of approximately 1.6% as compared with the same period last year. Gross profit was approximately RMB35,026,000, representing an increase of approximately 0.1% as compared with the same period last year. Net assets were approximately RMB1,690,688,000, representing a decrease of approximately 1.7% as compared with the same period last year.

The principal business of the Group continues to be research and development, manufacture and sales of automation instruments. During the Year, demand in some downstream markets showed a weakening trend under the impact of the macroeconomic environment, and the industrial automation instrument market faced certain pressures and challenges. Amidst the uncertainty of the global economic development, the Company overcame unfavorable factors including weak demand in downstream markets and intensified competition in the industry, and continued to operate steadily through the efforts in expanding within the existing and incremental markets, delving into market opportunities, and constantly maintaining a stable positive development trend.

During the Year, there was no significant change in the Company's core competitiveness. The Company has adhered to the implementation of an innovation-driven long-term development strategy. Through continuous improvement and upgrading, the technological performance of the Group's key products is leading in the domestic market with some reaching international advanced level. The Company has made proactive contributions to accelerate the domestic manufacturing process of major equipment, achieve autonomy and control over key technologies, and lead the development of China's automation instrument technology.

Wong Fun Chung
Chairman

Hong Kong, 30 September 2024

Management discussion and analysis

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2024 (the "Year").

MARKET AND BUSINESS REVIEW

As of 30 June 2024, the principal business of the Group continues to be the research and development, manufacture and sales of automation instruments. Under the impact of the macroeconomic situation, certain downstream markets of the Group including but not limited to the petroleum and petrochemical industries, were facing a certain adjustment cycle. The gradually keen market competition has brought greater pressure on the Company's market expansion.

During the Year, in response to the impact of complex and severe unfavorable factors, the national and local governments actively introduced a series of policies to stimulate the deep integration of the digital economy with advanced manufacturing industries and modern service industries. The Company proactively identified market opportunities, made use of the advantages of complete product lines and leading product quality, diligently explored new growth points in the industry, continuously fueled technological innovation and new product development in order to adapt to the ever-evolving market demands and ensure the achievement of business objectives with its advanced technical strength and reliable product quality.

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, revenue from the sales and consigned processing services on high precision industrial automation instrument and technology products amounted to approximately RMB139,081,000 (2023: approximately RMB140,945,000), representing approximately 99.9% (2023: approximately 99.6%) of the Group's total revenue. 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 RMB14,009,000, as compared to that of approximately RMB13,236,000 in 2023.

The increase in segment loss for the Year is mainly due to the recognition of approximately RMB2,629,000 impairment losses on property, plant and equipment during the Year because of the decrease in sales as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industry of automation instrument and technology products.

Horological instruments

Sales of horological instruments were approximately RMB122,000 (2023: approximately RMB591,000), which accounts for approximately 0.1% (2023: approximately 0.4%) of the Group's total revenue during the Year. This segment recorded reportable segment loss of approximately RMB6,023,000, as compared to that of approximately RMB5,466,000 in 2023.

The increase in segment loss for the Year is mainly due to the recognition of RMB352,000 impairment losses on property, plant and equipment during the Year because of the decrease in sales as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industry of horological instruments.

MANUFACTURING FACILITIES

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

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

PROSPECTS

The industrial automation control system device manufacturing industry is positively correlated with the macroeconomy. The cyclical fluctuations of the macroeconomy and downstream industries with strong cyclical cycles will correspondingly affect our industry. However, the industrial automation control system device manufacturing industry continues to offer a diverse variety of products with broad application fields. In addition to capital expenditures such as new major projects, downstream fields continue to show a stable demand for industrial automation control system devices in respect of production capacity replacement and upgrades, technological modifications, maintenance and repairs, and spare parts, etc.

The Company is a leading enterprise in the domestic industrial automation control system device manufacturing industry. In the future, along with the in-depth implementation of industrial foundation reengineering projects and research projects on major technologies and equipment in China, the demand for domestically produced mid-to-high-end instruments in major projects and key areas of downstream industries will continue to rise. Enterprises within the industry with independent innovation capabilities will be better positioned to grasp the guidance of national policies, pool high quality resources, accelerate the advancement of key core technologies, promote more new breakthroughs in technologies in the industry and achieve industrialization, which will be beneficial for the healthy and sustainable development of the industry.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately RMB139,203,000 for the Year (2023: approximately RMB141,536,000), representing a decrease of about 1.6% as compared to that of last year. The decrease is mainly due to the decrease in sales of automation instrument and technology products and horological instruments, as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industries of (i) automation instrument and technology products; and (ii) horological instruments, under stagnant global economy. The sluggish global economy also brought greater pressure on the Group's market expansion as a result of the delay in the commencement of large-scale projects in the PRC.

Gross profit and loss from operations

During the Year, the Group's gross profit and loss from operations amounted to approximately RMB35,026,000 (2023: approximately RMB34,994,000) and approximately RMB33,236,000 (2023: approximately RMB21,734,000) respectively. The slight increase in gross profit is mainly due to the changes in product mix and improvements made on the production to enhance the gross profit margin even though the direct material cost of steel increased. The loss from operations included (i) a loss on fair value of investment properties of approximately RMB7,223,000 (2023: gain on fair value of investment properties of approximately RMB2,041,000) due to the deterioration of property market in the PRC during the year and (ii) an impairment loss on property, plant and equipment of approximately RMB3,200,000 (2023: Nil) due to the decrease in sales as a result of factors described above.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB35,003,000 for the Year, as compared to that of approximately RMB35,119,000 in 2023. It is mainly due to the result of adoption of a series of new product design which effectively lowered the adverse effect of the increased material cost of steel.

The segment of horological instruments recorded a gross profit of approximately RMB23,000 for the Year, as compared to that of gross loss of approximately RMB125,000 in 2023. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

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

Loss attributable to owners of the Company

The loss attributable to owners of the Company (the "Shareholders") for the Year was approximately RMB32,735,000, as compared to that of approximately RMB22,692,000 in 2023. 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 RMB3.16 cents (2023: both RMB2.19 cents).

Capital structure, liquidity and financial resources

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

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

As at 30 June 2024, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,417,002,000 (2023: approximately RMB1,444,580,000), approximately RMB1,435,034,000 (2023: approximately RMB1,466,039,000) and approximately RMB1,709,004,000, (2023: approximately RMB1,739,416,000), respectively.

Borrowings

As at 30 June 2024, the Group had no bank borrowings (2023: Nil).

Equity

Total equity attributable to owners of the Company as at 30 June 2024 decreased by approximately RMB29,904,000 to approximately RMB1,690,688,000 (2023: approximately RMB1,720,592,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2024 was approximately 0.05 (2023: approximately 0.05).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK$1,043,000,000 (the "Net Proceeds") will mainly be 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 2024, 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$207 million were used for research and development efforts;

3. Approximately HK$45 million were used for network development and sales support services; and

4. Approximately HK$4 million were used for the Group's information system development.

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

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 26(b) to the consolidated financial statements.

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 30 June 2024, the Group employed a total of 436 employees (2023: 473). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration package within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB38,340,000 (2023: approximately RMB37,712,000).

The emolument policy of the Group and the basis of determining the directors' emolument are set out in the section headed "Remuneration Committee" on pages 19 to 20.

CHARGE ON ASSETS

As at 30 June 2024, the Group did not have any charges on its assets (2023: Nil).

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

The Group had no future plans for material investments or capital assets as at 30 June 2024.

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 against foreign currency which might materially affect 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 2024, the Group had no capital expenditure contracted for but not provided in the consolidated financial statements (2023: Nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (2023: Nil).

Biographical information of directors and senior management

DIRECTORS

Executive Directors

Mr. Wong Fun Chung (黃訓松), aged 71, is the chairman of the Board, the chief executive officer of the Company and founder of the Group. He is also a director of Wide Plus High Precision Automation Limited ("Wide Plus"), a direct wholly-owned subsidiary of the Company and the President of Fujian Wide Plus Precision Instruments Co., Ltd. ("Fujian Wide Plus"), an indirect wholly-owned subsidiary of the Company. He was appointed as an executive Director of the Company on 29 November 2007 and has served the Group for over 33 years. Mr. Wong graduated from Tianjin University (天津大學) in 1978 specialising in high precision timing instruments (計時儀器專業) and has for over three decades gained experience in the production of horological instruments. During his career in the horological industry, Mr. Wong was recognised as one of the top one hundred youth factory managers in China, which was awarded jointly by China Youth Magazine (中國青年雜誌社), China Enterprise Management Association (中國企業管理協會), Central Propaganda Department of the Chinese Communist Youth League (中國共產主義青年團中央宣傳部) and China Central Television Station (中央電視台). In 1987, Mr. Wong was the factory manager of the Fuzhou Watch Factory (福州手錶廠), a state-owned enterprise. In 1989, Mr. Wong was approved as an engineer by the Fujian Provincial Bureau of Personnel (福建省人事局). In 1990, one of the quartz clock movement products developed by Mr. Wong was awarded third prize in the technological advancement award by the National Science and Technology Advancement Award Adjudication Committee (國家科學技術進步評審委員會). Mr. Wong is responsible for the formulation of the Group's corporate strategy, overseeing its production operations and the overall steering of the Group's strategic development. Mr. Wong is a shareholder and director of Fortune Plus Holdings Limited which was interested in 39,824,704 shares of the Company as at 30 June 2024.

Mr. Zou Chong (鄒崇), aged 54, was appointed as an executive Director of the Company on 2 July 2008 and is the deputy general manager of the Group. Mr. Zou graduated from the Sichuan University (四川大學) in 1991 specialising in computer application (計算機應用專業). Mr. Zou has served the Group for over 33 years and participated in the development of the "WP-series Multi-channel Embedded-type Colored Paperless Recorder" (WP-系列多通道嵌入式彩色顯示無紙記錄儀), which, together with Mr. Tang Chong Sen, a member of the Company's senior management, was awarded the "Grade Three of Fuzhou Science and Technology Advancement Award (福州市科學技術進步三等獎)" by Fuzhou Municipal Government in 2006. Mr. Zou is responsible for the technical service centre, system integration, purchasing and sales and marketing of the Group.

Mr. Su Fang Zhong (蘇方中), aged 74, was appointed as an executive Director of the Company on 2 July 2008 and is the deputy general manager of the Group. He graduated from Fujian Broadcasting Television University (福建廣播電視大學) in 1990 specializing in financial accounting (財務會計). In 1991, Mr. Su successfully completed quality management (計量管理) training provided by the State Bureau of Technical Supervision (國家技術監督局). Mr. Su has served the Group for 32 years. In 2003, he was appointed as a deputy general manager of Fujian Wide Plus, and was approved as an electrical engineer (intermediate level) (中級電子工程師) by the Intermediate and Primary Level Adjudication Committee of the Fuzhou City Rural Enterprise Engineering Department (福州市鄉鎮企業工程系列中、初級評委會). Mr. Su was recognized by the Fuzhou Bureau of Light Industry (福州市輕工業局) as an outstanding performer in the technological development of light industry system (輕工系統技術開發優秀工作者) in 1989 and also as a pioneer worker in production management (生產管理先進工作者) in 1991. Mr. Su is responsible for the warehouse management, production workshops and quality control of the Group.

Mr. Cheung Chuen (張全), aged 50, was appointed as an executive Director of the Company since 2 April 2008. He is also the company secretary of the Company and Wide Plus. He has served the Group for 16 years. Mr. Cheung graduated from the Hong Kong Shue Yan College (presently Hong Kong Shue Yan University) in 1999 majoring in accounting and obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2004. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 25 years of experience in accounting and auditing. He is currently an independent non-executive director of Kingwell Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Cheung is responsible for the management reporting and planning of the Group, and is in charge of all the Group's financial and statutory reporting.

Independent Non-executive Directors

Dr. Hu Guo Qing (胡國清博士), aged 60, was appointed as an independent non-executive Director of the Company on 2 April 2008. He has served the Group for 16 years. Dr. Hu graduated from the Department of Aviation Automation Control (航空自動控制系) of the Northwestern Polytechnical University (西北工業大學) in 1987 and acquired his doctorate degree from the Department of Hydraulic Engineering (水利工程系) of the Chengdu University of Science and Technology (成都科技大學) (currently known as Sichuan University (四川大學)) in 1993. Since 1993, Dr. Hu has been involved in scientific research and academic teaching in areas such as MEMS technology, sensor technology, industrial automation and industrial robots technology, mechatronics technology and visual image processing and identification technology. Dr. Hu is currently a Professor and doctoral supervisor at the College of Industrial Equipment and Control Engineering of the South China University of Technology (華南理工大學).

Ms. Ji Qin Zhi (吉勤之), aged 83, was appointed as an independent non-executive Director of the Company on 2 April 2008. She has served the Group for 16 years. Ms. Ji graduated from the Department of Precision Instruments Engineering (精密儀器工程系) of Tianjin University (天津大學) in 1964 and acquired the qualification of Senior Engineer in 1988. She was appointed as an independent non-executive director of Shenzhen Fiyta Holdings Limited, a company listed on Shenzhen Stock Exchange, in 2006 and 2009. She is currently a member of the council advisory committee of the Horology Association of the People's Republic of China.

Mr. Chan Yuk Hiu, Taylor (陳玉曉), aged 46, was appointed as an independent non-executive Director of the Company on 2 April 2008. He has served the Group for 16 years. Mr. Chan holds an Honours Diploma in Accounting from Hong Kong Shue Yan College (presently Hong Kong Shue Yan University), and a Master Degree in Accounting from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan has extensive experience in professional accounting and auditing practice, and has accumulated various accounting, auditing and company secretarial work experience both from certified public accountants firms and listed companies. Mr. Chan is currently the chief financial officer and company secretary of Steed Oriental (Holdings) Company Limited, a company listed on GEM of the Stock Exchange. Mr. Chan was the chief financial officer and company secretary of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited), a company listed on GEM of the Stock Exchange, from 1 May 2006 to 28 February 2015. Mr. Chan was the chief financial officer and company secretary of Huaqiang Chemical Engineering Holdings Company Limited, a company incorporated in the Cayman Islands, from 1 March 2015 to 31 July 2016.

SENIOR MANAGEMENT

Mr. Tang Chong Sen (唐崇森), aged 84, graduated from the Mechanical Engineering Department (電機系) of the Harbin Institute of Technology (哈爾濱工業大學) in 1964 specialising in electrical measurement technology (電氣測量技術專業). In 1992, he was an associate professor of the Electrical Engineering Department of Fuzhou University specializing in industrial electrical automation system (工業電氣自動化). He has served the Group for 28 years. Mr. Tang had been the researcher of various provincial new product development projects. In 2002, the WP-series Intelligent Flow Controller for Natural Gas (WP-系列天然氣智能流量控制儀) co-developed by Mr. Tang also received the "Grade Three of Fujian Science and Technology Advancement Award (福建省科學技術獎三等獎)" by Fujian Provincial Government of the PRC. In 2006, the "WP-series Multi-channel Embedded-type Colored Paperless Recorder" (WP-系列多通道嵌入式彩色顯示無紙記錄儀) which was co-developed by Mr. Tang and Mr. Zou Chong was awarded "Grade Three of Fuzhou Science and Technology Advancement Award (福州市科學技術進步三等獎)" by Fuzhou Municipal Government. Mr. Tang is the chief electrical engineer of the Group and is responsible for overseeing the design and processing of electrical products and electronic software research and development of the Group.

Mr. Gao Wen Jiang (高文江), aged 82, graduated from the Agricultural Machinery Department (農業機械系) of the Fujian Institute of Agriculture (福建農學院) specialising in agricultural mechanisation (農業機械化專業) in 1964. In 1990, Mr. Gao was the deputy technical factory manager of Nanchang Watch Factory (南昌手錶廠). From 1993 to 2004, he was the deputy general manager of Guang Yu Electronic Industrial Co., Ltd. (廣宇電子實業有限公司). Mr. Gao joined Fujian Wide Plus as a chief mechanical engineer in 2004 and has been holding the same position since then. He has served the Group for 19 years. Mr. Gao is responsible for overseeing the crafts processing and high precision mechanical research and development of the Group.

The Group is committed to upholding statutory and regulatory corporate governance standards and adhering to the principles of corporate governance emphasising accountability, transparency, independence, fairness and responsibility.

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year, except for the deviation from the Code Provision C.2.1 of the CG Code as described in the section headed "B.7. Chairman and Chief Executive Officer" below and Code Provision D.1.2 of the CG Code.

According to Code Provision D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates on the Company's performance, position and prospects. During the Year, instead of monthly updates, the management has provided to the Board half-yearly updates containing consolidated financial statements with summaries of key events and outlook of the Group for the pertaining period for review and discussion in the Board meetings concerned. In addition, the management will provide to the Board with updates in a timely manner if there are material events affecting the performance, position and prospects of the Company. Accordingly, it is considered that the purpose of providing regular updates on the Company's performance, position and prospects can be achieved.

A. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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.

B. BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 30 June 2024, the Board consisted of four executive Directors, namely Mr. Wong Fun Chung (who is also the chairman of the Board), Mr. Zou Chong, Mr. Su Fang Zhong, and Mr. Cheung Chuen, and three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Each of the Directors' respective biographical details is set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, save as disclosed in the section headed "Biographical Information of Directors and Senior Management" in this annual report, there is no financial, business, family or other material/relevant relationship between members of the Board (including the Chairman and the Chief Executive Officer).

2. Functions of the Board of Directors

The Board is responsible for the oversight of the Company's business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters, such as, approving the annual results and interim results of the Group, notifiable and connected transactions of the Company, appointment and re-appointment of Directors, dividend and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report.

The Board delegates the authority and responsibility for implementing daily operations, business strategies and management of the Group's businesses to the executive Directors and senior management. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management, in particular, with respect to the circumstances, regular report of progress from the senior management and prior approval will be obtained from the Board before making decisions or entering into any commitments on behalf of the Company.

3. Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and (vi) reviewing the Company's environmental, social and governance strategy and disclosure in the Environmental, Social and Governance Report. For the year ended 30 June 2024, the Board has reviewed (i) the Company's corporate governance practices; (ii) the training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with applicable legal and regulatory requirements; (iv) the Company's compliance with the CG Code and the disclosure in this corporate governance report; and (v) the Company's environmental, social and governance strategy and disclosure in the Environmental, Social and Governance Report.

4. Board Meetings and Board Practices

For the year ended 30 June 2024, the Board conducted three meetings. The Board meets on other occasions when a board-level decision on a particular matter is required. The attendance records of those meetings held are set out below:

Members	No. of attendance
Executive Directors	
Mr. Wong Fun Chung *(Chairman and Chief Executive Officer)*	3/3
Mr. Zou Chong	3/3
Mr. Su Fang Zhong	3/3
Mr. Cheung Chuen	3/3
Independent non-executive Directors	
Dr. Hu Guo Qing	3/3
Ms. Ji Qin Zhi	3/3
Mr. Chan Yuk Hiu, Taylor	3/3

None of the Board meetings held in the Year were attended by the alternate, if any, of the Directors.

The Directors will receive details of agenda and minutes of relevant committee meetings in advance of each Board meeting. The company secretary will distribute relevant documents to Directors in a timely manner to enable the Directors to make informed decisions on matters discussed in the Board meetings. The company secretary will ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Minutes of the Board meetings are kept by the company secretary.

Pursuant to Code Provision C.1.6 of the CG Code, independent non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

During the Year, the Company held one general meeting, being an annual general meeting, on 22 December 2023. The attendance records of members of the Board of the general meeting held are set out below:

Members	**No. of attendance**
Executive Directors	
Mr. Wong Fun Chung *(Chairman and Chief Executive Officer)*	1/1
Mr. Zou Chong	1/1
Mr. Su Fang Zhong	1/1
Mr. Cheung Chuen	1/1
Independent Non-executive Directors	
Dr. Hu Guo Qing	1/1
Ms. Ji Qin Zhi	1/1
Mr. Chan Yuk Hiu, Taylor	1/1

The executive Directors, Mr. Wong Fun Chung, Mr. Zou Chong, Mr. Su Fang Zhong and Mr. Cheung Chuen, and the independent non-executive Director, Mr. Chan Yuk Hiu, Taylor, attended the annual general meeting in person; and the independent non-executive Directors, Ms. Ji Qin Zhi and Dr. Hu Guo Qing, attended the annual general meeting by video conference.

5. Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, there are three independent non-executive Directors representing more than one-third of the Board. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting and relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company's mechanism of having (i) a sufficient number of three independent non-executive directors representing more than one-third of the Board; (ii) each of the independent non-executive directors continues to devote adequate time contribution to the Company; (iii) regular meetings between the independent non-executive directors; and (iv) at least one annual meeting between the chairman and the independent non-executive directors without the presence of other directors, ensures that independent views and input are available to the Board. The Board reviewed implementation and effectiveness of such mechanism during the Year and considered that such mechanism was well implemented and remained effective.

The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. Pursuant to Code Provision B.2.3 of the CG Code, if an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. The Company has received from each of the independent non-executive Directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based on the said confirmations, the Board considers that all the independent non-executive Directors are independent. The nomination committee has also assessed the independence of all the independent non-executive directors who have all served the Board for more than nine years. Ms. Ji Qin Zhi will be subject to retirement by rotation and offers herself for re-election at the forthcoming annual general meeting. The Board has expressed its view on the independence of Ms. Ji Qin Zhi, in a circular in relation to, among other matters, the re-election of retiring Directors in the forthcoming annual general meeting for shareholders' consideration.

As at 30 June 2024 and up to date of this Corporate Governance Report, all the independent non-executive Directors have served more than nine years on the Board. The Board is aware of the requirement effective for the financial year commencing on or after 1 January 2023 to appoint a new independent non-executive Director pursuant to Code Provision B.2.4(b) of the CG Code if all the independent non-executive Directors have served more than nine years on the Board. The Company is in the process of identifying suitable candidates and to recruit one or more independent non-executive Director(s) to meet the requirement under Code Provision B.2.4(b) of the CG Code by 31 December 2024.

6. Directors' Training

Newly appointed Directors receive comprehensive, formal and tailored induction on their appointments, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all Directors have participated in appropriate continuous professional development activities by ways of attending training session on regulatory updates, reading materials or conducting academic research relevant to the Company's business or to the Directors' duties and responsibilities.

Name of Directors	Type of trainings
Mr. Wong Fun Chung	A and B
Mr. Cheung Chuen	A and B
Mr. Zou Chong	A and B
Mr. Su Fang Zhong	A and B
Dr. Hu Guo Qing	A and B
Ms. Ji Qin Zhi	A and B
Mr. Chan Yuk Hiu, Taylor	A and B

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

In addition, during the year ended 30 June 2024, Mr. Cheung Chuen as the company secretary has undertaken not less than 15 hours of relevant professional training.

7. Chairman and Chief Executive Officer

Code Provision C.2.1 of the CG Code 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 of the CG Code 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.

8. Appointment, Re-election and Removal of Directors

Mr. Wong Fun Chung has entered into a service contract with the Company for an initial term of 3 years commencing from 29 November 2007 with automatic renewal and subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Cheung Chuen has entered into a service contract with the Company for an initial term of 3 years commencing from 2 April 2008 with automatic renewal and subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Zou Chong and Mr. Su Fang Zhong have entered into a service contract with the Company for an initial term of 3 years both commencing from 2 July 2008 with automatic renewal and subject to termination in accordance with the provisions of the service contracts or by either party giving the other not less than 3 months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year commencing from 2 April 2008 with automatic renewal, subject to termination by either party giving the other not less than 3 months' prior written notice.

In accordance with the articles of association of the Company, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years.

9. Board Diversity and Nomination Policies

The Company has adopted a nomination policy (the "Nomination Policy") for the nomination committee of the Company (the "Nomination Committee"), which set out the criteria in identifying candidates to become a member of the Board and the procedures in selecting new candidates for directorship and making recommendations to the Board on candidates nominated for directorships. The Board shall be composed of members with integrity, balance of skills, experience and diversity of perspectives appropriate to accomplish the Group's business operation, development, strategies, challenges and opportunities. Appointments shall be based on merit, and candidates will be measured against objective criteria, with due regard for the benefits of diversity on the Board with reference to the diversity policy of the Company, details of which is set out below.

For filling a casual vacancy or appointing an additional director to the Board, the candidates shall first be considered by the Nomination Committee, which shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall review the overall contribution of the directors and their services, their participation and performance within the Board in making recommendations to the Board for its consideration and recommendation. In the case of appointing or re-appointing independent non-executive directors, the Board will ensure that the candidate meets the required independence criteria as set out in the Listing Rules.

Pursuant to a resolution passed on 30 August 2013 by the Board, a board diversity policy (the "Diversity Policy") was adopted for the Company with effect from 1 September 2013. The Diversity Policy applies to the Board and aims to set out the approach to achieve diversity for the Board.

The Company aims at promoting and practising equality of opportunity amongst all of its Directors, including both executive and non-executive roles and adopts the Diversity Policy with the objective to recognise the benefits and importance of diversity at the Board, the key decision making body in the Company, to enhance the quality of its performance. "Board Diversity" shall be achieved through consideration of a number of factors and measurable objectives, including, but not limited to gender, age, cultural background, educational background, and professional experience, skills and knowledge.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company in accordance with the Nomination Policy. In carrying out these responsibilities, the Nomination Committee will give adequate consideration to the Diversity Policy. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Board has not set any specific ratio or number for male and female Directors. As at the date of this report, the Board comprises seven Directors, one of whom is female and is not a single gender Board.

10. Dividend Policy

Subject to the requirement of the relevant laws, the Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate or recommend the payment of special dividends and final dividends which are required to be approved by an ordinary resolution of Shareholders in general meetings of an amount not exceeding the amount recommended by the Board.

The Company may distribute dividends by way of cash or by other means that it considers appropriate. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the Group's results of operations, financial condition, payments by its subsidiaries of cash dividends to the Company, future prospects and other factors that the Directors may consider relevant.

Subject to the factors above, the Directors intend to declare and recommend dividends which would amount in total to not less than 15% of the net profit (if any), from ordinary activities attributable to shareholders of the Group (as determined in accordance with HKFRS). Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

C. BOARD COMMITTEES

1. Remuneration Committee

The Group established its remuneration committee (the "Remuneration Committee") since 2008 with written terms of reference in compliance with the CG 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.

The written terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

For the year ended 30 June 2024, two meetings were held to review the Company's policy and structure for all directors' and senior management's remuneration; to assess the performance of executive Directors; and to review the remuneration package of members of the Board and senior management of the Company. The attendance records of the Remuneration Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	2/2
Ms. Ji Qin Zhi	2/2
Mr. Chan Yuk Hiu, Taylor	2/2

None of the Remuneration Committee meetings held in the year ended 30 June 2024 were attended by the alternate, if any, of the Directors.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. Details of the remuneration of Directors are disclosed on an individual basis and are set out in note 11 to the consolidated financial statements. The remuneration payable to senior management of the Company (excluding Directors) for the year ended 30 June 2024 within the band of HK$1,000,000 or less comprises two individuals.

2. Audit Committee

The Group established its audit committee (the "Audit Committee") since 2008 with written terms of reference in compliance with the CG 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 systems as well as the internal audit function, 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 2024.

The written terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange and updated on 7 January 2019.

For the year ended 30 June 2024, the Audit Committee performed the following tasks:

(i) review of the auditors' report for the audit of final results of the Group for the year ended 30 June 2024;

(ii) review of the draft consolidated financial statements of the Group for the year ended 30 June 2024 with a recommendation to the Board for approval;

(iii) review of the draft results announcement and annual report of the Group for the year ended 30 June 2024 with a recommendation to the Board for publication and approval;

(iv) review of draft unaudited consolidated financial statements, the draft results announcement and the interim report of the Group for the six months ended 31 December 2023 with a recommendation to the Board for publication and approval;

(v) review of the internal control, financial control and risk management systems and report of the Audit Committee's opinion to the Board;

(vi) review of the effectiveness of the Company's internal audit function;

(vii) review of the Company's financial reporting functions, the financial and accounting policies and practices adopted by the Group and report of the Audit Committee's opinion to the Board;

(viii) review of the audit fees payable to the external auditors for the year ended 30 June 2024 with a recommendation to the Board for approval; and

(ix) review of the external auditors' independence, with a recommendation to the Board for the re-appointment of the current external auditors at the forthcoming annual general meeting and the Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditors.

There were three meetings of the Audit Committee held for the year ended 30 June 2024. The attendance records of the Audit Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	3/3
Ms. Ji Qin Zhi	3/3
Mr. Chan Yuk Hiu, Taylor	3/3

None of the Audit Committee meetings held in the year ended 30 June 2024 were attended by the alternate, if any, of the Directors.

3. Nomination Committee

The Group established the Nomination Committee since 2008 with written terms of reference in compliance with the CG 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.

The written terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange and updated on 7 January 2019.

There has been no change in the composition of the Board and of the three committees. For the year ended 30 June 2024, the Nomination Committee has held two meetings to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of independent non-executive Directors; (iii) make recommendations to the Board on the re-appointment of Directors; (iv) review the effectiveness of the board diversity policy of the Company; and (v) review the Nomination Policy of the Company. The attendance records of the Nomination Committee meetings held are set out below:

Members	No. of attendance
Dr. Hu Guo Qing	2/2
Ms. Ji Qin Zhi	2/2
Mr. Chan Yuk Hiu, Taylor	2/2

None of the Nomination Committee meetings held in the year ended 30 June 2024 were attended by the alternate, if any, of the Directors.

D. ACCOUNTABILITY AND AUDIT

1. Directors' Responsibility for the Consolidated Financial Statements

The Board acknowledges that it holds responsibility for:

(i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group; and

(ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

A discussion and analysis of the Group's performance, the explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the "Chairman's Statement" and the "Management Discussion and Analysis" sections of this annual report.

2. Risk Management and Internal Control

The Board places great importance on risk management and internal controls and is responsible for establishing and maintaining adequate risk management and internal control system for the Company and assessing the overall effectiveness of those internal control system.

The Board had conducted its annual review of the effectiveness of the system of risk management and internal control of the Group covering all material controls, including financial, operational and compliance control. The Group's risk management and internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations related to the business as well as the handling and dissemination of inside information of the Group. In order to ensure the adequacy and effectiveness of the risk management and internal control systems as well as to resolve material internal control defects once found, the internal audit department is in place to carry out such internal audit function. Once any material internal control defects are identified during the course of the internal audit, they are reported to the relevant department-in-charge as well as the Board immediately for remedial action. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Audit Committee was satisfied that the risk management and internal control systems have functioned effectively, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of such systems for the Year. During the Year, no irregularity or material weakness was noted within any function or process and the Board considers that the risk management and internal control systems are effective and adequate for the Group as a whole.

3. Auditors' Remuneration

During the year ended 30 June 2024, the remuneration paid/payable to the Company's auditors, Crowe (HK) CPA Limited, is set out as follows:

Nature of Services	**Fee paid/payable**
	RMB'000
Audit services	2,002
Non-audit services	28
Total	2,030

The non-audit services are for the review of the preliminary result announcement of the Group and other professional services.

E. SHAREHOLDERS' RIGHTS

1. Right to Convene Extraordinary General Meeting ("EGM")

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the extraordinary general meeting varies according to the nature of the proposal as follows:

— at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company; and

— at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

2. Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the headquarters of the Company in Hong Kong or by e-mail to info@chpag.com for the attention of the IR Department or Company Secretary.

3. Right to Put Forward Proposals at General Meetings

There is no provision allowing Shareholders to put forward proposals at general meeting under the Memorandum and Articles of Association of the Company or the Companies Law of the Cayman Islands. If Shareholders wish to do so, they may request to convene an EGM as stipulated in E.1. above and specify the proposals in such written requisition.

F. INVESTOR AND SHAREHOLDERS RELATIONS

The Company continues to pursue a proactive shareholders' communication policy in promoting investor relations and communications with the Shareholders. The Board also recognised that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its Shareholders and investors through various channels including publication of interim and annual reports, press announcements and information on the website of the Stock Exchange and the Company's website at www.chpag.cn.

The Company encourages its Shareholders to attend the forthcoming annual general meeting as it is an important opportunity for constructive communication with the Board. The Chairman as well as the chairmen of the Audit, Remuneration and Nomination Committees, or in their absence, members of the relevant committees are available to answer any questions raised by the Shareholders.

The Group regularly releases corporate information, such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website and the management will give their prompt response thereto. The Board has reviewed its Shareholders' communication activities conducted during the Year and is satisfied with the implementation and effectiveness of the Shareholders' communication policy.

A copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 30 June 2024.

Environmental, social and governance report

The Group is one of the market leaders in the high precision industrial automation instrument and technology products industry in China operating under the Wide Plus brand. As a responsible corporate citizen, the Group places great emphasis on environmental protection, people-oriented culture and community care. The Group holds corporate social responsibilities in high regard and believes that through incorporating social responsibility measures to its corporate culture and values, there will be sustainable development for the Group and the communities in which it operates.

Towards that end, the Board assumes the overall environmental, social and governance ("ESG") responsibility and is committed to strong ESG performance. The Board holds at least one meeting every year to assess the ESG risks, formulate the ESG strategies and policies, ensure the establishment and maintenance of effective internal control procedures on the ESG aspects of its business and operations. The Board also regularly discusses with the management to check the execution of strategies and policies and collect feedback from the employees. Independent assessment organisation was also engaged to further evaluate the environmental aspect of the Group's business and operations. With such governance structure, the Board can effectively oversee ESG issues with both internal and external perspectives taken into consideration.

REPORTING PRINCIPLES

The Group has adhered to the following reporting principles in its preparation of this ESG Report.

Materiality: The Group has identified material ESG topics relevant to its development and operation through internal review and communication with stakeholders to understand their concerns and expectations.

Quantitative: The application of the quantitative reporting principle was reflected in the calculation and numeric record and presentation of the Group's environmental performance such as gas emissions and water usage, as well as social performance such as the employment structure and work-related accidents etc.

Balance: To ensure that a complete picture of the Group's sustainable development can be delivered to its stakeholders, the Group fully conformed to the disclosure requirements under Environmental, Social and Governance Reporting Guide set out in Appendix C3 to the Listing Rules and disclosed its achievements, challenges ahead and rooms for improvement.

Consistency: Unless otherwise stated, this ESG report adopted consistent methodologies to allow for a fair comparison of the Group's ESG performance from time to time.

Scope

Fujian Wide Plus Precision Instruments Co., Ltd., ("Fujian Wide Plus"), an indirect wholly-owned subsidiary of the Company, is the main operating subsidiary of the Company. As such, its office and production facilities are of higher relevance to the ESG matters of the Group. Fujian Wide Plus has been first awarded ISO 9001 — Quality Management, ISO 14001 — Environmental Management and OHSAS 18001 — Occupational Health and Safety Management certifications since 2004, 2010 and 2010 respectively. In January 2022, Fujian Wide Plus was again awarded ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications by the China Quality Certification Centre, which are valid for 3 years until January 2025. Fujian Wide Plus has established a set of Quality, Environmental and Occupational Health and Safety Comprehensive Management Handbook and 20 sets of Quality, Environmental and Occupational Health and Safety Procedural Document, which cover many different aspects including but not limited to workplace practices, environmental protection, operating practices etc., of which, the following are the most relevant and important to the Group's business:

ENVIRONMENTAL

Evaluating the Environment and Natural Resources

In order to comprehensively distinguish and evaluate the Group's production and service to control or influence the environmental factors, to identify those important factors, and to update the environment factors on a timely basis in compliance with the relevant laws, regulations and other requirements, so that the Group could effectively and efficiently adopt preventive and control measures, and to continuously improve the environmental performance, the "Environmental Factor Identification and Evaluation Control Procedures" has been established by the Group. Pursuant to the said procedures, the relevant employees of each department identify environmental factors through methods such as site inspection, site observation and make cross reference to law and regulations. The scope of identification includes production processing, testing and examination, working, daily living, procurement, transportation, warehousing and other ancillary activities, raw materials (including energy and resources) and repair of equipment, and consuming activities. Three states, three tenses and seven areas are considered when identifying environmental factors. The seven areas of environmental protection initiatives are set out in the section headed "Use of Resources" below, whereas the three states and three tenses are as follows:

Three states:

a) Normal state — refers to stable, routine, planned activity state, such as the normal production state.

b) Abnormal state — refers to a predictive state, non-routine activity or incident, such as the equipment failure in the course of production pending repair.

c) Emergency state — refers to unforeseeable state, sudden accident or emergency failure of environmental protection, for example, fire, earthquake or explosion.

Three tenses:

a) Past — the environmental problems left over from the past that would affect the current production activities.

b) Present — the environmental problems that are occurring persistently and will affect the future environment.

c) Future — the environmental problems that have not yet occurred, but may occur and affect the environment in future, for example, the application of new technology or usage of new materials.

Emissions

Fujian Wide Plus has established a "Management Policies of Three Kinds of Wastes", which states clearly the handling procedures of emissions of solid, air and water wastes, including both hazardous and non-hazardous, in accordance with the applicable national laws and regulations. The Group also set an aim to maintain a zero hazardous emission environment and to mitigate all necessary non-hazardous emission in a minimal level. In order to do so, it is the Group's obligation to monitor the waste emissions and to appoint metrological accredited environmental assessment department to provide inspection on a regular basis. In January 2024, the Group appointed an independent accredited environmental assessment organisation to carry out an annual emissions inspection. All the results of the inspection met the required relevant national standards. There was no production of the following air and greenhouse gas emissions as reflected from the said inspection: NOx, SOx, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. There was also no generation of hazardous waste. The non-hazardous waste of the Group are mainly waste water and exhaust gas and waste generated from the daily operating activities in factory and office. Non-hazardous waste was recycled and reused or disposed of according to relevant laws and regulations. The target of the Group is to maintain no generation of hazardous waste. The Group strictly complied with the relevant standards, laws and regulations that have a significant impact on the Company (including the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC and the Atmospheric Pollution Prevention and Control Law of the PRC etc.) as well as its internal policies throughout the Year. The Group will continue its strict compliance with laws and regulations in the future.

Type of emissions	**Annual emissions**	
	2024	2023
Waste water:	**5,249 tonnes**	5,100 tonnes
suspension	**63.0 kg**	214.2 kg
five-day biochemical oxygen demand	**64.0 kg**	87.7 kg
chemical oxygen demand	**236.2 kg**	321.3 kg
animal and vegetable oil	**0.9 kg**	1.3 kg
ammonia	**0.9 kg**	96.9 kg
Exhaust gas:	**589,952 Nm^3**	9,459,600 Nm^3
particulates	**1.65 kg**	1.69 kg
non-methane hydrocarbons	**0.59 kg**	0.30 kg
tin	**0.00 kg**	0.00 kg

Use of Resources

The "Energy Saving and Consumption Reduction Management System" has been established by the Group to control the use of energy and resources in the production, business operation and management activities, and to improve the energy and resource utilization to achieve economic benefits, and to prevent pollution. This policy is applicable for the Group's management on resources such as water, electricity and energy usage.

The "Operating control procedural document", which is prepared pursuant to the above said "Energy Saving and Consumption Reduction Management System", covers areas of control of energy and resources including:

1) Water Resources Control

A. The Group educates each employee to save water, and encourages the reuse of water in order to reduce water consumption, so as to reduce sewage from the source.

B. The Group is committed to the guarantee of water supply installation and maintenance, and to ensuring that water supply is at its optimal working condition. When leakage is discovered, it will be repaired timely.

2) Electricity Control

A. The use of electricity in production must strictly comply with Electricity Law of the PRC to ensure normal production with adherence to the principles of power saving, safety first, high efficiency and low consumption.

B. Lights and electronic appliances in living area or workplace must be turned off when not in use.

C. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

D. To ensure no unnecessary use of resources at production lines.

Additional to the specific water and electricity control measures, the Group identified the following seven areas which should be controlled for environmental protection:

Seven areas:

a) Water pollution, for instance, oily sewage from canteen, sewage emission containing hazardous chemical.

b) Emission to the atmosphere, for instance, noxious gas emission.

c) Noise pollution, noise from production processing, life and entertainment polluting the surrounding environment.

d) Various types of solid waste, including different kind of solid waste and garbage produced from production, daily living and office such as scrap, production garbage, household and office garbage.

e) Land pollution, for instance the pollution, accumulation and spreading of pollution towards land caused by various type of chemical products (including chemicals contained in raw materials) such as oil, heavy metal.

f) The use and consumption of raw materials, natural resources and energy.

g) Others, for instance, light, electromagnetic, color, quantity of heat that may affect the surrounding community.

Based on the above initiatives, the operation's impact on the environment and natural resources could be effectively managed by the Group.

Total water, electricity and packaging material consumption in the Group's sole production facility:

	Water (Ton'000s)	Electricity (kwh'000s)	Packaging material (Ton)
	For the year ended 30 June 2024		
Unit consumed	**133**	**5,677**	**70**
	For the year ended 30 June 2023		
Unit consumed	111	4,508	68

For consumption of water, during the Year, the Group did not encounter any problem in sourcing water that was fit for its purpose. Going forward, the Group has set a mid to long-term goal for reduce non-production related use of water by 10–15% in 5 years.

For energy consumption, the Group aims to reduce electricity use per production unit by 10–15% in 5 years.

3) Office Consumables Consumption Management

A. Other than formal documents and materials that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each paper must be printed double-sided. Single-sided printing is strictly prohibited (except for confidential documents).

B. No printing and photocopying of materials allowed if it is unrelated to work.

Based on those energy use efficiency initiatives, use of resources could be effectively controlled and efficiently reduced by the Group.

CLIMATE CHANGE

Climate change may bring certain risk to the Group's business, including direct losses to the Group's assets caused by extreme weather events, or resulting in lower revenue, additional capital expenditures or asset impairment, or affecting the Group's operations, supply chains, transportation and the safety of employees.

The Group's factory is located in Mawei District, Fuzhou City, Fujian Province, the PRC. Responding to potential earthquake and typhoon risks in the region caused by the changing climate, in terms of factory structure, the Group has strictly complied with the requirements of relevant regulations of the national standards such as the "Code for Seismic Design of Buildings" (GB50011–2001), the "Load Code for the Design of Building Structures" (GB50009–2001) and the "Standard for Classification of Seismic Protection of Building Constructions" (GB50223–2004), and carried out specific design based on four factors, namely the category of seismic protection, the type of structure, the intensity and the height of the buildings. In addition, the seismic protection resistance of the factory buildings of the Group is 7 degrees and the seismic resistance level is level 3, the seismic capacity which is higher than that of the general buildings in Fuzhou City.

In terms of drainage, the Group strictly complied with the requirements of relevant regulations of the national standards such as "Code for Design of Building Water Supply and Drainage" (GB50015–2003), "Code for Construction and Acceptance of Water and Sewerage Pipelines Works" (GB50268–2008) and "Technical Specification of PVC-U Pipe Work for Building Drainage" (CJJ/T29–98). The water discharge area of the plant is 47,221 m^2, the designed discharge for rainwater is 1,210 L/S, and the designed discharge for sewage is 81.9 m^3/d, the designs of which are capable of coping with the precipitation of the rainstorm level in the national standard "Grade of Precipitation" (GB/T 28592–2012).

Through strict investigation and design at the early stage, the plant has laid the foundation for the safety and controllability of the Group's buildings in the future in terms of the risks brought by climate change. The Group will carry out inspection, maintenance and improvement works for facilities such as plant structure and drainage pipelines from time to time in order to ensure that the plant has strictly complied with the relevant standard requirements continuously.

In response to natural disasters such as earthquakes and typhoons, the Group has also formulated plans such as the "Emergency Preparation and Response Control Procedures" and the "Natural Disaster Emergency Plan", and established a series of comprehensive response measures, including but not limited to the emergency rescue, rescue and emergency response mechanism for the emergency situations such as rainstorm, flooding, typhoons and earthquake, providing the best protection for the safety of staff and smooth operation and production as well as to reduce losses. Going forward, the sustainable development of the Group will continue to include the focus on climate change.

SOCIAL

Employment and Labour Practices

Employment

The Group established and implemented "Human Resources Work Handbook", which contains its policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. Basically, every rule in the handbook is set in accordance with all relevant laws and regulations including but not limited to The Labour Law and The Labour Contract Law in the PRC. The Group implements effective control to working conditions that may affect the quality of work and emotion of employees, and to those that may affect the quality of engineering, equipment safety, safety of personnel and environment. The Group provides suitable working environment to its staff, which includes:

a) the establishment and implementation of safety and labour protection system, which provide the necessary safety and labour protection facilities and conditions to the staff stationed in the positions stipulated;

b) the provision of pleasant working environment to its staff, including the provision of air-conditioning system in both summer and winter, and a tidy workplace; and

c) the provision of working environment that is suitable for the product warehouses in accordance to the relevant requirements.

The total workforce of the Group by employment type, gender, age group and geographical region are as follows:

As at 30 June 2024

Total number of employees			436	
Employment type			Full-time	
Gender	Male:	288	Female:	148
Age group	17–29 years old: 74	30–40 years old: 139	41–49 years old: 132	50 years old or above: 91
Geographical region	Fujian Province	264	Hebei Province	3
	Sichuan Province	52	Shandong Province	3
	Jiangxi Province	27	Beijing City	2
	Hubei Province	12	Guangdong Province	2
	Henan Province	14	Guangxi Province	2
	Hunan Province	11	Jilin Province	2
	Shaanxi Province	12	Jiangsu Province	1
	Chongqing City	6	Heilongjiang	2
	Anhui Province	4	Inner Mongolia	1
	Guizhou Province	4	Qinghai Province	1
	Yunnan Province	2	Hong Kong	5
	Shanghai City	3		
	Liaoning Province	1		
	Total		436	

As at 30 June 2023

Total number of employees	473			
Employment type	Full-time			
Gender	Male:	307	Female:	166
Age group	17–29 years old: 91	30–40 years old: 159	41–49 years old: 144	50 years old or above: 79
Geographical region	Fujian Province	278	Hebei Province	4
	Sichuan Province	59	Shandong Province	3
	Jiangxi Province	28	Beijing City	2
	Hubei Province	13	Guangdong Province	2
	Henan Province	14	Guangxi Province	2
	Hunan Province	14	Jilin Province	2
	Shaanxi Province	12	Jiangsu Province	1
	Chongqing City	6	Heilongjiang	2
	Anhui Province	5	Inner Mongolia	1
	Guizhou Province	8	Hong Kong	5
	Yunnan Province	3	Taiwan	1
	Shanghai City	3	Zhejiang Province	1
	Liaoning Province	4		
		Total	473	

The employee turnover rate of the Group by gender, age group and geographical region are as follows:

2024

Total number of employees	72			**Turnover rate**	15.0%			
Gender	**Male:**	55	**Turnover rate:** 11.5%	**Female:**	17	**Turnover rate:** 3.6%		
Age group	17–29 years old		30–40 years old		41–49 years old		50 years old or above	
	Number of employees	**Turnover rate**	**Number of employees**	**Turnover rate**	**Number of employees**	**Turnover rate**	**Number of employees**	**Turnover rate**
	39	8.1%	18	3.8%	12	2.5%	3	0.6%
Geographical region	**Province**	**Number of employees**	**Turnover rate**	**Province**	**Number of employees**	**Turnover rate**		
	Fujian Province	38	7.9%	Anhui Province	1	0.2%		
	Sichuan Province	11	2.3%	Yunnan Province	3	0.6%		
	Jiangxi Province	3	0.6%	Zhejiang Province	1	0.2%		
	Hubei Province	3	0.6%	Shandong Province	1	0.2%		
	Guizhou Province	4	0.8%	Liaoning Province	3	0.6%		
	Henan Province	3	0.6%	Shaanxi Province	1	0.2%		

2023

Total number of employees		97			Turnover rate		18.5%	
Gender	**Male:**	67	**Turnover rate:**	12.8%	**Female:**	30	**Turnover rate:**	5.7%
Age group	17–29 years old		30–40 years old		41–49 years old		50 years old or above	
	Number of employees	**Turnover rate**	**Number of employees**	**Turnover rate**	**Number of employees**	**Turnover rate**	**Number of employees**	**Turnover rate**
	50	9.5%	34	6.5%	11	2.1%	2	0.3%
Geographical region	**Province**	**Number of employees**	**Turnover rate**		**Province**	**Number of employees**	**Turnover rate**	
	Fujian Province	67	12.8%		Hunan Province	4	0.8%	
	Sichuan Province	5	1%		Yunnan Province	2	0.4%	
	Jiangxi Province	7	1.3%		Hubei Province	1	0.2%	
	Hebei Province	4	0.8%		Chengdu	1	0.2%	
	Guizhou Province	2	0.4%		Liaoning Province	2	0.4%	
	Henan Province	1	0.2%		Taiwan	1	0.2%	

During the Year, the Group participated in the mandatory social insurance, medical insurance and provident fund schemes. The Group strictly complied with the employment and labour standards, laws and regulations that have a significant impact on the Company throughout the Year.

Health and Safety

It is the Group's policy to carry out production in accordance with the principle of "Safety Comes First, Prevention is Crucial", and supervisors at each level in the Group must adhere to the principle of "Production Management Must Encompass Management of Safety". Production must take into account the needs for safety, in order to achieve safe and civilized production. Fujian Wide Plus has established a Procedural Document for Safety Production Responsibility System, which lists out a series of occupational health and safety measures that have to be adopted such as providing a safe working environment and protecting employees from occupational hazards by provision of staff trainings, handling procedures of hazardous and explosive goods, proper operation of equipment etc. The Group implemented the above said procedures and complied with relevant laws and regulations that have a significant impact on the Company. As a results, no incident of work injury occurred throughout the Year. The implementation of the above said procedure is monitored by a designated committee by the senior management through both regular inspections and spot checks. In January 2024, the Group appointed an independent accredited environmental assessment organisation to carry out an annual inspection on workplace air and occupational noise exposure, the result of the inspection indicated that workplace air and occupational noise exposure in the production lines met the required relevant national standards.

The number and rate of work-related fatalities occurred in each of the past three years including the Year is as follows:

Year	2021.7–2022.6	2022.7–2023.6	2023.7–2024.6
Number of fatalities	0	0	0

Lost days due to work injury:

Year	2021.7–2022.6	2022.7–2023.6	2023.7–2024.6
Lost days due to work injury	0	0	0

Development and Training

At the beginning of each calendar year, the Group draws up educational training plans in accordance with the Group's training needs. Each department is responsible for determining its training needs for staff in its department and designing a unique training plan, which shall be submitted to the senior management of the Group for approval. The Group ensures that members of staff who are under the comprehensive management system can fulfill the relevant requirements in terms of education, training, technical and work experience.

Training activities provided to staff include:

— New employees orientation;

— Technical training for existing employees or internally transferred employees;

— Professional skill enhancement training;

— Safety training;

— Enrolment in externally organized classes in relation to legal and other professional knowledge, management knowledge and important position professional training and academic researches;

— Regular voluntary firemen training;

— Invitation of well-known managers, expert scholars and advisory bodies to host training seminars; and

— Expat training.

The percentage of employees trained by gender and employee category are as follows:

2024

Date	Type of training	Number of trained employees					Position of employees						
		Male	%	Female	%	Total	Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2023.7–2024.6	New employee orientation training (company profile, rules and regulations, three-level safety education)	39	75.0%	13	25.0%	52	0.00%	0.00%	0.00%	1.92%	19.23%	75.00%	3.85%
2023.7–2024.6	Job-specific skill training	207	67.6%	99	32.4%	306	0.00%	5.56%	7.84%	3.59%	25.49%	54.58%	2.94%
2023.7	Safe production laws and regulations	33	82.5%	7	17.5%	40	17.50%	52.50%	30.00%	0.00%	0.00%	0.00%	0.00%
2023.8	Safety standard management system and related regulations	22	52.4%	20	47.6%	42	2.38%	9.52%	16.67%	0.00%	26.19%	45.24%	0.00%
2023.8	Occupational health (mental health)	20	50.0%	20	50.0%	40	10.00%	40.00%	35.00%	5.00%	10.00%	0.00%	0.00%
2023.9	API system	29	67.4%	14	32.6%	43	4.65%	2.33%	13.95%	4.65%	25.58%	44.19%	4.65%
2023.9	Site management	25	67.6%	12	32.4%	37	13.51%	27.03%	59.46%	0.00%	0.00%	0.00%	0.00%
2023.10	ISO system	28	53.8%	24	46.2%	52	11.53%	28.80%	34.56%	3.84%	5.76%	15.51%	0.00%
2023.11	ISO13485 quality system	6	42.9%	8	57.1%	14	7.14%	28.57%	0.00%	42.86%	21.43%	0.00%	0.00%
2023.12	Environmental protection	24	64.9%	13	35.1%	37	8.11%	51.35%	40.54%	0.00%	0.00%	0.00%	0.00%
2024.1	GJB system	29	64.4%	16	35.6%	45	4.44%	20.00%	24.44%	2.22%	28.89%	20.00%	0.00%
2024.2	ISO system	26	43.3%	34	56.7%	60	10.00%	28.33%	26.67%	5.00%	8.33%	20.00%	1.67%
2024.3	Product knowledge	5	38.5%	8	61.5%	13	0.00%	23.08%	7.69%	46.15%	15.38%	0.00%	7.69%
2024.4	Occupational health (prevention of occupational diseases)	24	61.5%	15	38.5%	39	5.12%	25.64%	17.95%	0.00%	12.82%	33.34%	5.13%
2024.5	Safety standard management system and related regulations	20	57.1%	15	42.9%	35	2.86%	8.57%	14.29%	2.86%	17.14%	51.43%	2.86%
2024.6	Occupational health (health knowledge)	9	26.5%	25	73.5%	34	5.88%	11.76%	17.65%	2.94%	23.53%	26.47%	11.76%

2023

Date	Type of training	Number of trained employees					Position of employees						
		Male	%	Female	%	Total	Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2022.7–2023.6	New employee orientation training	72	91.1%	7	8.9%	79	0.0%	1.3%	0.0%	8.9%	6.3%	82.3%	1.3%
2022.7–2023.6	Job-specific skill training	157	74.8%	53	25.2%	210	0.0%	1.4%	4.8%	3.3%	28.6%	60.5%	1.4%
2022.7	ISO10012 measurement system	13	65.0%	7	35.0%	20	5.0%	40.0%	5.0%	0.0%	50.0%	0.0%	0.0%
2022.8	Safe production laws and regulations	20	100.0%	0	0.0%	20	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
2022.9	GJB system	27	62.8%	16	37.2%	43	4.7%	27.9%	9.3%	2.3%	27.9%	23.3%	4.7%
2022.10	ISO system	17	47.2%	19	52.8%	36	8.3%	36.1%	8.3%	2.8%	16.7%	11.1%	16.7%
2022.11	Fire safety	15	51.7%	14	48.3%	29	6.9%	10.3%	20.7%	6.9%	6.9%	37.9%	10.3%
2022.12	Environmental protection	19	59.4%	13	40.6%	32	12.5%	15.6%	21.9%	3.1%	6.3%	31.3%	9.4%
2023.1	Occupational health knowledge	17	53.1%	15	46.9%	32	6.3%	12.5%	34.4%	3.1%	3.1%	37.5%	3.1%
2023.2	Quality management	3	42.9%	4	57.1%	7	0.0%	28.6%	0.0%	0.0%	71.4%	0.0%	0.0%
2023.2	GJB system	25	55.6%	20	44.4%	45	6.7%	28.9%	8.9%	2.2%	26.7%	17.8%	8.9%
2023.3	ISO10012 measurement system	8	57.1%	6	42.9%	14	7.1%	21.4%	21.4%	0.0%	35.7%	14.3%	0.0%
2023.4	Production management	25	54.3%	21	45.7%	46	2.2%	8.7%	13.0%	0.0%	23.9%	52.2%	0.0%
2023.4	Commodity after-sales service evaluation system	4	30.8%	9	69.2%	13	0.0%	23.1%	0.0%	53.8%	23.1%	0.0%	0.0%
2023.5	Laws and regulations	22	56.4%	17	43.6%	39	7.7%	10.3%	23.1%	10.3%	20.5%	15.4%	12.8%
2023.6	Fire drills	17	53.1%	15	46.9%	32	3.1%	18.8%	21.9%	6.3%	6.3%	31.3%	12.5%

The average training hours completed per employee by gender and employee category is as follows:

2024

Date	Type of training	Average training hours		Position of employees						
		Male	Female	Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2023.7–2024.6	New employee orientation training (company profile, rules and regulations, three-level safety education)	24	24	—	—	—	24	240	936	48
2023.7–2024.6	Job-specific skill training	24	24	—	408	576	264	1,872	4,008	216
2023.7	Safe production laws and regulations	8	8	56	168	96	—	—	—	—
2023.8	Safety standard management system and related regulations	4	4	4	16	28	—	44	76	—
2023.8	Occupational health (mental health)	4	4	16	64	56	8	16	—	—
2023.9	API system	8	8	16	8	48	16	88	152	16
2023.9	Site management	4	4	20	40	88	—	—	—	—
2023.10	ISO system	8	8	48	120	144	16	24	65	—
2023.11	ISO13485 quality system	4	4	4	16	—	24	12	—	—
2023.12	Environmental protection	4	4	12	76	60	—	—	—	—
2024.1	GJB system	4	4	8	36	44	4	52	36	—
2024.2	ISO system	8	8	48	136	128	24	40	96	8
2024.3	Product knowledge	4	4	—	12	4	24	8	—	4
2024.4	Occupational health (prevention of occupational diseases)	4	4	8	40	28	—	20	52	8
2024.5	Safety standard management system and related regulations	4	4	4	12	20	4	24	72	4
2024.6	Occupational health (health knowledge)	4	4	8	16	24	4	32	36	16

2023

Date	Type of training	Average training hours		Position of employees						
		Male	Female	Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2022.7–2023.6	New employee orientation training	20	20	—	20	—	140	100	1,300	20
2022.7–2023.6	Job-specific skill training	20	20	—	60	200	140	1,200	2,540	60
2022.7	ISO10012 measurement system	16	16	16	128	16	—	160	—	—
2022.8	Safe production laws and regulations	4	—	—	—	—	—	—	80	—
2022.9	GJB system	4	4	8	48	16	4	48	40	8
2022.10	ISO system	4	4	12	52	12	4	24	16	24
2022.11	Fire safety	4	4	8	12	24	8	8	44	12
2022.12	Environmental protection	4	4	16	20	28	4	8	40	12
2023.1	Occupational health knowledge	4	4	8	16	44	4	4	48	4
2023.2	Quality management	16	16	—	32	—	—	80	—	—
2023.2	GJB system	4	4	12	52	16	4	48	32	16
2023.3	ISO10012 measurement system	4	4	4	12	12	—	20	8	—
2023.4	Production management	4	4	4	16	24	—	44	96	—
2023.4	Commodity after-sales service evaluation system	4	4	—	12	—	28	12	—	—
2023.5	Laws and regulations	4	4	12	16	36	16	32	24	20
2023.6	Fire drills	4	4	4	24	28	8	8	40	16

Labour Standards

Employment of staff by the Group must comply with the rules under the Labour Law and relevant local labour laws and regulations. Preventing child or forced labour is one of these rules. The Group strictly complied with the above said principle, relevant laws and regulations in respect of child and forced labour that have a significant impact on the Company throughout the Year. From time to time the Group reviews its overall employment practices to avoid child or forced labour and other potential irregularities. Members of staff is required to fill in a "Staff Record Resume" honestly and provide identification documents upon joining the Group. Should the staff provide false identity or false personal particulars, the said staff would be considered to have committed serious breach of the Group's rules and regulations, his/her employment would be terminated immediately.

OPERATING PRACTICES

Supply Chain Management

For the year ended 30 June 2024, the Group sourced its raw materials and components from more than 100 suppliers who were independent third parties and all of them are located in the PRC.

The Group's relationships with its suppliers are stable and the Group did not experience any major difficulty in obtaining adequate supplies of raw materials and components to meet its production requirements in the past. Since the raw materials and components sourced are common and can be easily purchased from the market, it is believed that even if any of the suppliers fail to meet the Group's demand, there are sufficient alternative suppliers to supply the principal raw materials and components to allow the Group to find suitable substitutes if necessary. The Group does not rely on any particular suppliers for the supply of raw material and components as it is able to purchase these materials and components from many other suppliers.

According to the "Information exchange control procedures" set up by the Group, in order to identify environmental and social risks along the supply chain and to promote environmentally preferable products and services when selecting suppliers, the purchasing department should deliver the Group's policy and requirements on environment and social and occupational health safety, to contracting parties on a timely basis, to ensure their understanding towards the Group's requirements. Suppliers are chosen based on the supplier's continuous ability to guarantee satisfactory product quantity and quality, reasonable price, timely delivery, environmental friendliness and good services. When selecting suppliers, the Group requires potential suppliers to provide relevant quality certifications, arranges for site visits, requests for samples of materials to ensure that the materials meet the required specifications and interviews supplier's customers to evaluate potential supplier's ability to give quality assurance and its reputation. An annual assessment of each of the Group's suppliers would be carried out by the purchasing department in order to ensure the suppliers fulfill all the aforesaid requirements.

Product Responsibility

Maintaining high quality and standards are crucial to the Group's sustainable development. Reliability and quality of products are crucial to the Group's success. Therefore, maintaining consistency in quality and precision of its products are the Group's major priorities. The Group complied with all relevant laws and regulations relating to health and safety, advertising, labelling and privacy issue and which have significant impact on the Company, such as the Law of the PRC on the Protection of Consumer Rights and Interests, throughout the Year.

Quality assurance

The Group's products have undergone internal production control and quality assurance examination and rigorous testing, some of which have been affixed with the European Union CE Mark, Russia GOST-R Mark, Kazakhstan GOST-K Mark, and have met the necessary requirements for entering the respective markets of these countries. Such qualifications enhance customer confidence in the quality of the Group's products. The Group has also obtained the "Electromagnetic Compatibility" certificate from the Lloyd's Register. The Group has obtained Certificate of Conformity from the China National Quality Supervision and Test Centre for Explosion Protected Electrical Products for a number of the Group's electrical products that are exposed to explosion risks.

Details of recall procedures can be found in the "Unqualified Products Control Procedures". Generally, when goods are delivered and quality abnormality (such as excessive chemicals in the product) is discovered, the quality control department would inform sales department in a timely manner, which will report to customers within 24 hours, and discuss with customers the handling methods of those products, including recall arrangements if necessary.

For the year ended 30 June 2024, no product sold or shipped was subject to recalls for safety and health reasons.

After-sales services

On top of the after-sales services provided by distributors to the end-users, the Group has established a toll-free hotline service within the PRC for its end-users to raise enquiries and lodge complaints. To assist sales by its distributors, the Group will provide explanation and training for its end-users in relation to skills required for, and special features of and the mode of operation for its products.

During the Year, the Group did not receive any complaint regarding product quality.

Intellectual properties

The Group's intellectual property rights are important to its business as all of its products are manufactured with advanced technologies, based on experience, expertise and processes designed for professional industrial uses. Due to the increasing recognition of intellectual property rights in the PRC, the Group has actively protected its intellectual property rights by progressively applying for patent registration of all of its existing registrable product technology, which relates to the product design, production processes and techniques. The Group also continuously seeks new patents for products and technologies developed through its research, design and development activities.

Customer Information Protection And Privacy Policies

The Group strictly complies with the requirements of laws and regulations such as the Law of the People's Republic of China on the Protection of State Secrets, the Law of the People's Republic of China on the Protection of Personal Information and the Law of the People's Republic of China on Data Security. The Group has established the Regulations on the Management of Customer Data Confidentiality, which sets out a series of requirements and procedures for the management of customer information confidentiality covering information management, the filing of cases and the access of rights. The business department is responsible for the classification, collection and collation of all customer information, materials and data. It is to ensure that customer information is used only for its intended purpose and remains confidential.

Anti-Corruption

In the staff handbook, one of the most important rules that the Group requires all members of its staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties or abuse power for own interests, and that all gifts received in the course of their employment must be handed to the Company. Supervisors of functional, business and operational departments should monitor the conduct of businesses under their charge, vet transactions and conduct spot checks to ensure compliance with laid down policies and procedures, and prevent malpractice. Supervisors should provide guidance to their subordinates on the proper conduct of business and integrity. Irregularities should be reported to the appropriate channel for follow-up. Supervisors should be accountable for their staff's conduct of business in compliance with the Company's anti-corruption policy. Employees could whistle-blow in accordance with the "Staff complaint procedures" stated in the staff handbook for the suspected bribery, extortion, fraud and money laundering issues. Once discovered, it will be reported to police for prosecution.

The Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering and which have significant impact on the Company, including the Anti-corruption Law and the Law of the People's Republic of China on Anti-money Laundering, throughout the Year. There was no any legal case regarding corrupt practices brought against the Group or its employees during the Year.

To further enhance its employee's awareness on the consequence of corruption, the Group provided anti-corruption training to PRC staff and also provided updated anti-corruption training materials issued by ICAC Corruption Prevention Department such as Toolkit on Directors' Ethic and Anti-Corruption Programme — A guide for Listed Companies to Directors and its staff in Hong Kong during the Year.

COMMUNITY

Community Investment

The Group is committed to identifying the needs of the neighborhoods where its plants are operated. The Group ensures that community interests are taken into consideration in its operations by participating in at least one local activity that can facilitate exchange and interaction between the Group and the local community each year. In addition, the Group focuses on the development of labour needs, health and culture when investing in the community. During the Year, the Group supported and participated in the activities hosted by various associations and organizations in the Economic and Technological Development Zone of Mawei District in Fuzhou, which included large events that involves its employees as well as the local community, such as the labor skill competition with the theme of "Embarking on a New Journey under the 14th Five-Year Plan" in Mawei District in 2023, and Participation in 2023 Cadre and Staff Singing Competition of Mawei District themed "Praise for the New Era and Motherland" etc., in a move to engage in exchange and interaction with various stakeholders of the community. The Group expects to continue to implement such policy and participate in various community events in the future.

Report of the directors

The Directors are pleased to submit their annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2024 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 30(b) to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 4 and pages 5 to 9 respectively of this annual report, which form part of this Report of the Directors.

Discussions on the Group's environmental policies and performance, relationships with its employees, customers and suppliers and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the sections headed "Corporate Governance Report", "Environmental, Social and Governance Report" and this Report of the Directors on pages 13 to 24, pages 25 to 39 and pages 40 to 46 respectively of this annual report, which form part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties facing the Group are set out in notes 27 and 5 to the consolidated financial statements respectively, which form part of this Report of the Directors.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at 30 June 2024 are set out in the consolidated financial statements on pages 52 to 127.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2023: Nil).

TRANSFER TO RESERVES

Loss for the year attributable to owners of the Company of approximately RMB32,735,000 (2023: approximately RMB22,692,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 56.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to the owners of the Company as at 30 June 2024 are set out in note 26(c)(vii) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

COMMITMENTS

Particulars of the commitments of the Group as at 30 June 2024 are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to its Shareholders by reason of their holding of the Company's shares.

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.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

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

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

Brief biographical information of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 10 to 12 of this annual report.

In accordance with article 84 of the Company's articles of association, Mr. Wong Fun Chung, Mr. Cheung Chuen, and Ms. Ji Qin Zhi shall retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors listed below has entered into a service agreement with the Company for a term of three years, with automatic renewal subject to termination in accordance with the provisions thereof or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year with automatic renewal, subject to termination by either party giving the other not less than three months' notice. The appointment dates of each of the Directors are as follows:

Executive Directors

Mr. Wong Fun Chung	29 November 2007
Mr. Zou Chong	2 July 2008
Mr. Su Fang Zhong	2 July 2008
Mr. Cheung Chuen	2 April 2008

Independent Non-executive Directors

Dr. Hu Guo Qing	2 April 2008
Ms. Ji Qin Zhi	2 April 2008
Mr. Chan Yuk Hiu, Taylor	2 April 2008

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial shareholders of the Company had any material interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares and 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 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 the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or 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 C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the ordinary shares of the Company:

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

Notes:

1. 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.

2. As at 30 June 2024, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company or their respective associates had registered 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2024, 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) 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 30 June 2024, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2024, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE CAPITAL

Details of share capital of the Company during the Year are set out in note 26(b) to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the section 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 Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 11 and 29 to the consolidated financial statements, there was no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, or in which any of the Directors or an entity connected with a Director had, whether directly or indirectly, a material interest, subsisted at the end of the Year or at any time during the Year.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the Year, save for those disclosed in notes 12 and 29 to the consolidated financial statements, the Group had no other transactions with related or connected parties. The transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.

BANKING FACILITIES

During the Year, no banking facilities were obtained by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	16.3%	
Five largest customers in aggregate	62.7%	
The largest supplier		37.8%
Five largest suppliers in aggregate		92.0%

During the Year, none of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers or suppliers.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes for the Year are set out in note 9(a) to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices (revised and renamed as 'Corporate Governance Code' with effect from 1 April 2012). The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process, to review the Company'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 (Chairman). The Company's annual report for the Year has been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float of the Company's shares under the Listing Rules.

PERMITTED INDEMNITY PROVISION

As at the date of this annual report, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

AUDITORS

As disclosed in the announcements of the Company dated 6 June 2022 and 29 June 2022, Pan-China (H.K.) CPA Limited resigned as the auditor of the Company on 6 June 2022 and the Board appointed Crowe (HK) CPA Limited to fill the casual vacancy following the said resignation. Save as aforesaid, there has been no change in auditors of the Company in any of the preceding three years.

The consolidated financial statements of the Group for the year ended 30 June 2024 have been audited by Crowe (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By Order of the Board

Wong Fun Chung
Chairman

Hong Kong, 30 September 2024

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA HIGH PRECISION AUTOMATION GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China High Precision Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 127, which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of property, plant and equipment, and right-of-use assets	
We identified the impairment assessment of property, plant and equipment, and right-of-use assets as a key audit matter as significant estimation is required in determining the recoverable amounts of the corresponding cash-generating units ("CGU"). As at 30 June 2024, net carrying amounts of property, plant and equipment amounted to approximately RMB188,767,000, while right-of-use assets recognised in accordance with HKFRS 16 "*Leases*" with net carrying amounts of approximately RMB7,213,000. As further disclosed in Notes 4, 15 and 16 to the consolidated financial statements, in determining whether property, plant and equipment, and right-of-use assets are impaired requires an estimation of the recoverable amount of the CGU which the assets belong, which is the greater of its value in use and its fair value less costs of disposal. The calculation of the recoverable amount requires the Group to estimate the future cash inflows/outflows expected to arise from the CGU by considering the budgeted sales and gross margins which are based on past performance and management's expectations for future changes in the market and taking into account a suitable discount rate to calculate the present value. An independent external valuation was performed by a valuer in support of the management's estimation on the recoverable amount of the CGU. Based on the management's assessment, impairment losses on property, plant and equipment, and right-of-use assets of approximately RMB3,200,000 and Nil respectively were recognised in the consolidated statement of profit or loss for the year ended 30 June 2024.	Our procedures in relation to management's impairment assessment of property, plant and equipment, and right-of-use assets include: • Obtaining the cash flow forecasts prepared by the management, reviewing and discussing with the management on the major assumptions adopted in the cash flow forecasts for each CGU and checking arithmetic accuracy of the forecast calculation; • Comparing the growth rates, budgeted sales and gross margins to historical results and reference to the market information based on our knowledge to determine their reasonableness; • Assessing the reasonableness of the discount rates applied in determining the value in use by benchmarking against market data; • Evaluating the competence, capabilities and objectivity of the valuer, and obtaining an understanding of the valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the valuer's valuation approach to assess if they meet the requirements of the HKFRSs and industry norms; • Obtaining the detailed work of the valuer to evaluate the accuracy and relevance of key data inputs underpinning the valuation; • Assessing the sensitivity analysis prepared by the valuer on the significant assumptions to evaluate the extent of impact of these assumptions on the cash flow forecasts; and • Evaluating the reliability of historical cash flows forecasts prepared by the management by comparing the historical cash flows forecasts with the actual performance.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
30 September 2024

Chan Wing Fai
Practising Certificate Number P07327

Consolidated statement of profit or loss

For the year ended 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	139,203	141,536
Cost of sales and services rendered		(104,177)	(106,542)
Gross profit		35,026	34,994
Other income	7	3,617	6,872
Other losses, net	7	(238)	(2,723)
Distribution expenses		(3,365)	(2,604)
Administrative expenses		(57,815)	(60,680)
Fair value (loss)/gain on investment properties	17	(7,223)	2,041
Reversal of write-down on inventories	19	251	634
Impairment loss on property, plant and equipment	15	(3,200)	—
Impairment loss on trade receivables recognised under expected credit loss model, net	27(b)	(289)	(268)
Loss from operations		(33,236)	(21,734)
Finance costs	8	(32)	(22)
Loss before taxation	9	(33,268)	(21,756)
Income tax credit/(expense)	10(a)	533	(936)
Loss for the year attributable to owners of the Company		(32,735)	(22,692)
		RMB cents	RMB cents
Loss per share	13		
— Basic and diluted		(3.16)	(2.19)

The notes on pages 58 to 127 form part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Loss for the year		(32,735)	(22,692)
Other comprehensive income/(expense), net of tax			
Items that will not be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		5,089	72,779
Fair value change on financial assets at fair value through other comprehensive income ("FVTOCI")	10(c)	2,742	824
		7,831	73,603
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		(5,000)	(70,316)
Other comprehensive income for the year		2,831	3,287
Total comprehensive expense for the year attributable to owners of the Company		(29,904)	(19,405)

The notes on pages 58 to 127 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	15	188,767	213,857
Right-of-use assets	16	7,213	6,923
Investment properties	17	27,562	34,785
Financial assets at FVTOCI	18	38,595	5,370
Deferred tax assets	24	11,833	12,442
		273,970	273,377
Current assets			
Inventories	19	17,566	21,265
Trade and other receivables	20	71,980	74,839
Bank balances and cash	21	1,417,002	1,444,580
		1,506,548	1,540,684
Current liabilities			
Trade and other payables	22	70,420	73,921
Lease liabilities	23	524	174
Provision for warranties	25	570	550
		71,514	74,645
Net current assets		1,435,034	1,466,039
Total assets less current liabilities		1,709,004	1,739,416

As at 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	23	151	—
Deferred tax liabilities	24	18,165	18,824
		18,316	18,824
NET ASSETS		1,690,688	1,720,592
CAPITAL AND RESERVES			
Share capital	26(b)	91,360	91,360
Reserves		1,599,328	1,629,232
TOTAL EQUITY		1,690,688	1,720,592

The notes on pages 58 to 127 form part of these consolidated financial statements.

The consolidated financial statements on pages 52 to 127 were approved and authorised for issue by the board of directors on 30 September 2024 and are signed on its behalf by:

Wong Fun Chung
Executive Director

Cheung Chuen
Executive Director

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000 (Note 26(c)(i))	**Surplus reserve** RMB'000 (Note 26(c)(ii))	**Other reserve** RMB'000 (Note 26(c)(iii))	**Revaluation reserve** RMB'000 (Note 26(c)(iv))	**FVTOCI reserve** RMB'000 (Note 26(c)(v))	**Exchange reserve** RMB'000 (Note 26(c)(vi))	**Retained profits** RMB'000	**Total** RMB'000
Balance at 1 July 2022	91,360	941,077	181,790	2,982	2,986	(2,709)	(21,665)	544,176	1,739,997
Changes in equity for the year ended 30 June 2023:									
Loss for the year	—	—	—	—	—	—	—	(22,692)	(22,692)
Exchange differences arising on translation	—	—	—	—	—	—	2,463	—	2,463
Fair value change on financial assets at FVTOCI (Note 10(c))	—	—	—	—	—	824	—	—	824
Total comprehensive income/ (expense) for the year	—	—	—	—	—	824	2,463	(22,692)	(19,405)
Balance at 30 June 2023 and 1 July 2023	91,360	941,077	181,790	2,982	2,986	(1,885)	(19,202)	521,484	1,720,592
Changes in equity for the year ended 30 June 2024:									
Loss for the year	—	—	—	—	—	—	—	(32,735)	(32,735)
Exchange differences arising on translation	—	—	—	—	—	—	89	—	89
Fair value change on financial assets at FVTOCI (Note 10(c))	—	—	—	—	—	2,742	—	—	2,742
Total comprehensive income/ (expense) for the year	—	—	—	—	—	2,742	89	(32,735)	(29,904)
Balance at 30 June 2024	91,360	941,077	181,790	2,982	2,986	857	(19,113)	488,749	1,690,688

The notes on pages 58 to 127 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
Cash (used in)/generated from operations	21	(6,410)	1,475
Net cash (used in)/generated from operating activities		(6,410)	1,475
Investing activities			
Addition of the financial assets at FVTOCI		(30,000)	—
Payment for the purchase of property, plant and equipment		(884)	(237)
Proceeds from disposal of property, plant and equipment		23	—
Interest received		2,873	3,789
Net cash (used in)/generated from investing activities		(27,988)	3,552
Financing activities			
Capital element of lease liabilities paid	21	(532)	(572)
Interest element of lease liabilities paid	21	(32)	(22)
Advances from a related party	21	7,384	6,479
Net cash generated from financing activities		6,820	5,885
Net (decrease)/increase in cash and cash equivalents		(27,578)	10,912
Cash and cash equivalents at beginning of the year		1,444,580	1,433,668
Cash and cash equivalents at end of the year, represented by bank balances and cash	21	1,417,002	1,444,580

The notes on pages 58 to 127 form part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2024

1. GENERAL INFORMATION

China High Precision Automation Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal business of the Company is Room 703, 7/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of and provision of consigned processing services on high precision industrial automation instrument and technology products, and the manufacturing and selling of multi-functional all plastic quartz watch movements.

The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollar ("HK$"), and the functional currency of the Company's subsidiary in Fujian Province, the People's Republic of China (the "PRC") is Renminbi ("RMB"). The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in RMB, rounded to the nearest thousand as the major subsidiary of the Group is operating in the PRC and the management of the Company controls and monitors the performance and financial position of the Group by using RMB.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 July 2023 for the preparation of the consolidated financial statements.

HKFRS 17 and related amendments	Insurance Contracts
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 12	International Tax Reform — Pillar Two Model Rules

The Group has not applied any new or amendments to HKFRSs that is not yet effective for the current accounting period. The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs that have been issued but not yet effective

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

HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements[5]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[5]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]
Amendments to HKAS 21	Lack of Exchangeability[3]
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.
4 Effective for annual periods beginning on or after 1 January 2026.
5 Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company are in the process of assessing the potential impacts from the new and amendments to HKFRSs that have been issued but not yet effective for the current year and will disclose further information once the reasonably estimated effect is available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. MATERIAL ACCOUNTING POLICIES INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Revenue from contracts with customers *(continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Leases *(continued)*

The Group as lessee *(continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

— the amount of the initial measurement of the lease liability;

— any lease payments made at or before the commencement date, less any lease incentives received;

— any initial direct costs incurred by the Group; and

— an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Leases *(continued)*

The Group as lessee *(continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

— fixed payments (including in-substance fixed payments) less any lease incentives receivable;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable by the Group under residual value guarantees;

— the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

— payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Retirement benefit costs

Payments to the PRC government retirement benefit scheme, pursuant to the relevant labour rules and regulations in the PRC, the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong are recognised as an expense when employees have rendered services entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Employee benefits *(continued)*

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax of investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured in fair value, adjusted to exclude any prepaid or accrued operating lease income.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Investment properties *(continued)*

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognised.

Intangible assets

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets — research and development expenditure *(continued)*

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Impairment of property, plant and equipment and right-of-use assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Provisions *(continued)*

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of automation instrument and technology products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "*Revenue from Contract with Customers*" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

— the financial asset is held within a business model whose objective is to collect contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

— the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables recognised under HKFRS 15, which do not involve significant financing arrangement.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, i.e. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor; or

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provisional matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

— Past-due status;

— Nature, size and industry of debtors; and

— External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

— For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other losses, net" line item (Note 7) as part of the net foreign exchange gains/(losses); and

— For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

4. MATERIAL ACCOUNTING POLICIES INFORMATION *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments, These foreign exchange gains and losses are recognised in the "Other losses, net" line item in profit or loss (Note 7) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Incremental borrowing rate determination for lease liabilities

In determining the incremental borrowing rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets, the terms and conditions of the leases, credit worthiness of the relevant group entities and economic environment at both the commencement date and the effective date of the modification.

Key sources of estimation uncertainty

(a) Impairment assessment of non-financial assets

In considering the impairment losses that may be required for certain of the Group's non-financial assets which mainly include property, plant and equipment and right-of-use assets, the recoverable amount of the asset need to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Group uses all readily available information in determining expected cash flows generated by the cash-generating unit to which the asset belongs and they are discounted to their present value, which requires significant estimates. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

(b) Provision for warranties

The Group makes warranty provision on sales of automation instrument and technology products based on information available indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in Note 25, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by the management. If the costs are settled for an amount greater than the management's estimation, a future charge to profit or loss will result. Likewise, if the costs are settled for an amount that is less that the estimation, a future credit to profit or loss will result. As at 30 June 2024, the carrying amount of the Group's provision for warranties is approximately RMB570,000 (2023: RMB550,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in competitor actions in response to changes to adverse economic conditions. As at 30 June 2024, the carrying amount of the Group's inventories is approximately RMB17,566,000 (2023: RMB21,265,000).

(d) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(e) Fair value of investment properties

The valuation of investment properties was based on valuation on these properties conducted by an independent professional valuer using property valuation techniques which involve certain assumptions of market conditions as disclosed in Note 17. Favourable or unfavourable changes to these assumptions would result in changes in the valuation of the Group's investment properties and corresponding adjustments to the fair value changes reported in the consolidated statement of profit or loss. As at 30 June 2024, the fair value of the Group's investment properties is approximately RMB27,562,000 (2023: RMB34,785,000).

(f) Fair value of financial assets at FVTOCI

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as discount for lack of marketability require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. As at 30 June 2024, the fair value of the Group's financial assets at FVTOCI is approximately RMB38,595,000 (2023: RMB5,370,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(g) Provision of ECL for trade receivables

The Group uses provision matrix to calculate the provision of ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 20 and 27(b) to the consolidated financial statements, respectively.

(h) Deferred taxation

As at 30 June 2024, deferred tax assets and deferred tax liabilities of approximately RMB11,833,000 (2023: RMB12,442,000) and RMB18,165,000 (2023: RMB18,824,000) were recognised respectively. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets or deferred tax liabilities may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6. REVENUE

(i) Disaggregation of the Group's revenue from contracts with customers for the years ended 30 June 2024 and 2023 is as follows:

Types of goods and services	Segments	2024 RMB'000	2023 RMB'000
Sales of automation instrument and technology products	Automation instrument and technology products	135,689	137,434
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	3,392	3,511
Sales of horological instruments	Horological instruments	122	591
Goods and services		139,203	141,536

During the years ended 30 June 2024 and 2023, all the revenue from contracts with customers is recognised at a point in time and were mainly arisen in the PRC.

6. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers

(a) The Group sells automation instrument and technology products and horological products directly to customers.

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the specific location (delivery) as agreed in the sales contracts. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 120 to 180 days upon delivery.

Sales-related warranties associated with automation instrument and technology products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 consistent with its previous accounting treatment.

(b) Provision of consigned processing services

Revenue from consigned processing services on automation instrument and technology products is recognised when services are performed. Consigned processing services on automation instrument and technology products is processing services based on a contract prior to the processing service. Revenue recognised when the processing services is rendered. The normal credit term is 120 to 180 days upon the services rendered.

Contracts with unsatisfied performance obligations on the abovementioned revenue have original expected duration of one year or less.

As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME AND OTHER LOSSES, NET

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	2,873	3,789
Government grants (note)	476	402
Rental income	3	1,268
Service income	284	1,215
Provision for warranties (recognised)/reversed (Note 25)	(20)	9
Sundry income	1	189
	3,617	6,872
Other losses, net		
Loss on disposal of property, plant and equipment, net	(50)	—
Net foreign exchange losses	(188)	(2,723)
	(238)	(2,723)

Note: During the year ended 30 June 2024, government grants of approximately RMB476,000 (2023: RMB367,000) represent unconditional incentives and subsidies granted to the PRC subsidiary by the local authorities.

During the year ended 30 June 2023, government grant of approximately RMB35,000 represented the funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

8. FINANCE COSTS

Interest expense on financial liabilities not at fair value through profit or loss:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	32	22

9. LOSS BEFORE TAXATION

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

		2024 RMB'000	2023 RMB'000
(a)	**Staff costs, excluding directors' remuneration**		
	Contributions to defined contribution retirement plans	2,320	1,960
	Salaries, wages and other benefits	36,020	35,752
		38,340	37,712

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 year ended 30 June 2024 (2023: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the reporting period (2023: 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.

9. LOSS BEFORE TAXATION *(continued)*

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

		2024 RMB'000	2023 RMB'000
(b)	**Other items**		
	Depreciation of property, plant and equipment	22,701	23,703
	Depreciation of right-of-use assets	744	769
	Research and development costs recognised as expense (note (i))	7,878	11,958
	Auditor's remuneration		
	— Audit services	2,002	1,924
	— Non-audit services	28	27
	Lease payments not included in the measurement of lease liabilities (Note 16)	116	478
	Cost of sales and services rendered (note (ii))	104,177	106,542
	Gross rental income from investment properties	(3)	(1,483)
	Less:		
	Direct operating expenses incurred for investment properties that generated rental income during the year	—	215
		(3)	(1,268)
	Reversal of write-down on inventories	(251)	(634)

Notes:

i) During the year ended 30 June 2024, staff costs of approximately RMB2,655,000 (2023: RMB2,718,000) was included in "research and development costs".

ii) During the year ended 30 June 2024, staff costs and depreciation of property, plant and equipment of approximately RMB11,549,000 (2023: RMB12,351,000) and RMB15,844,000 (2023: RMB16,973,000) were included in "cost of sales and services rendered".

10. INCOME TAX (CREDIT)/EXPENSE

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

	2024 RMB'000	2023 RMB'000
Current tax — the PRC		
Provision for the year	—	—
Deferred tax (Note 24)	(533)	936
	(533)	936

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

10. INCOME TAX (CREDIT)/EXPENSE *(continued)*

(a) *(continued)*

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

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

Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise ("ANTE") that meets the conditions according to the Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. ("Fujian Wide Plus") was recognised as an ANTE as approved by the relevant authorities. No provision for taxation in the PRC has been made as Fujian Wide Plus sustained a tax loss for the years ended 30 June 2024 and 2023.

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)/expense and loss before taxation at applicable tax rates:

	2024 RMB'000	2023 RMB'000
Loss before taxation	(33,268)	(21,756)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(5,126)	(3,297)
Tax effect of income that is not taxable	—	(24)
Tax effect of expenses that are not deductible	2,065	2,182
Tax effect of estimated tax losses not recognised	2,528	2,075
Actual income tax (credit)/expense	(533)	936

10. INCOME TAX (CREDIT)/EXPENSE *(continued)*

(c) Tax effects relating to each component of other comprehensive income:

	2024			2023		
	Pre-tax amount RMB'000 (Note 18)	Tax expense RMB'000 (Note 24)	Net of tax amount RMB'000	Pre-tax amount RMB'000 (Note 18)	Tax expense RMB'000 (Note 24)	Net of tax amount RMB'000
Fair value change in financial assets at FVTOCI	3,225	(483)	2,742	969	(145)	824

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	For the year ended 30 June 2024			
	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Fun Chung *(Chief executive)*	—	1,126	—	1,126
Mr. Zou Chong	—	495	5	500
Mr. Su Fang Zhong	—	495	—	495
Mr. Cheung Chuen	—	840	16	856
Independent non-executive directors				
Dr. Hu Guo Qing	111	—	—	111
Ms. Ji Qin Zhi	111	—	—	111
Mr. Chan Yuk Hiu, Taylor	111	—	—	111
Total	333	2,956	21	3,310

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	For the year ended 30 June 2023			
	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Fun Chung *(Chief executive)*	—	1,088	—	1,088
Mr. Zou Chong	—	481	3	484
Mr. Su Fang Zhong	—	481	—	481
Mr. Cheung Chuen	—	807	16	823
Independent non-executive directors				
Dr. Hu Guo Qing	106	—	—	106
Ms. Ji Qin Zhi	106	—	—	106
Mr. Chan Yuk Hiu, Taylor	106	—	—	106
Total	318	2,857	19	3,194

The executive directors' emoluments were for their services in connection with management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the current year and prior year.

No directors waived any emoluments during the current and prior years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2023: four) individuals are directors of the Company whose emoluments are disclosed in Note 11 above. The aggregate of the emoluments in respect of the remaining one (2023: one) individual for the year ended 30 June 2024 are as follows:

	2024 RMB'000	2023 RMB'000
Contributions to retirement benefit scheme	17	16
Salaries and other emoluments	443	426
Discretionary bonus	35	141
	495	583

The above emoluments of approximately RMB495,000 (2023: RMB583,000) were paid to Mr. Wong Shek ("Mr. Wong"), the son of Mr. Wong Fun Chung, who is the chairman of the board of directors, the executive director and the chief executive of the Company, during the year ended 30 June 2024.

The emolument of the remaining one (2023: one) individual with the highest emoluments was within the following band:

	2024 Number of employee	2023 Number of employee
Less than HK$1,000,000	1	1

For the years ended 30 June 2024 and 2023, no emoluments were paid by the Group to these five highest paid individuals (including the directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office.

13. 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 RMB32,735,000 (2023: RMB22,692,000) and the weighted average number of 1,037,500,000 ordinary shares (2023: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

For the years ended 30 June 2024 and 2023, there was no dilutive potential ordinary share outstanding. Therefore, the dilutive loss per share is the same as the basic loss per share.

14. SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at FVTOCI, investment properties, deferred tax assets, bank balances and cash and other corporate assets;

- all liabilities are allocated to reportable segments other than deferred tax liabilities and other corporate liabilities; and

- Segment results represent the loss of each segment without allocation of bank interest income, unallocated head office and corporate income, unallocated head office and corporate expenses, fair value (loss)/gain on investment properties, unallocated impairment loss on property, plant and equipment, unallocated finance costs and income tax credit/(expense). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

14. SEGMENT REPORTING *(continued)*

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

For the year ended 30 June 2024

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment revenue	139,081	122	139,203
Reportable segment loss	(14,009)	(6,023)	(20,032)

For the year ended 30 June 2023

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment revenue	140,945	591	141,536
Reportable segment loss	(13,236)	(5,466)	(18,702)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2023: Nil).

14. SEGMENT REPORTING *(continued)*

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

As at 30 June 2024

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment assets	**251,890**	**2,726**	**254,616**
Reportable segment liabilities	**18,322**	**—**	**18,322**

As at 30 June 2023

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment assets	280,593	3,369	283,962
Reportable segment liabilities	29,009	—	29,009

14. SEGMENT REPORTING *(continued)*

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

	2024 RMB'000	2023 RMB'000
Revenue		
Reportable segment revenue	139,203	141,536
Revenue	139,203	141,536

	2024 RMB'000	2023 RMB'000
Profit or loss		
Reportable segment loss	(20,032)	(18,702)
Bank interest income	2,873	3,789
Fair value (loss)/gain on investment properties	(7,223)	2,041
Unallocated impairment loss on property, plant and equipment	(219)	—
Unallocated finance costs	(32)	(22)
Unallocated head office and corporate income	764	3,074
Unallocated head office and corporate expenses	(9,399)	(11,936)
Loss before taxation	(33,268)	(21,756)
Income tax credit/(expense)	533	(936)
Loss for the year	(32,735)	(22,692)

14. SEGMENT REPORTING *(continued)*

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

	2024 RMB'000	2023 RMB'000
Assets		
Reportable segment assets	254,616	283,962
Unallocated head office and corporate assets		
— Investment properties	27,562	34,785
— Financial assets at FVTOCI	38,595	5,370
— Deferred tax assets	11,833	12,442
— Bank and cash balances	1,417,002	1,444,580
— Other corporate assets	30,910	32,922
Consolidated total assets	1,780,518	1,814,061

	2024 RMB'000	2023 RMB'000
Liabilities		
Reportable segment liabilities	18,322	29,009
Unallocated head office and corporate liabilities		
— Deferred tax liabilities	18,165	18,824
— Other corporate liabilities		
— Amount due to a related party	13,863	6,479
— Other payables and accruals	39,480	39,157
	53,343	45,636
Consolidated total liabilities	89,830	93,469

14. SEGMENT REPORTING *(continued)*

(c) Other entity-wide segment information

For the year ended 30 June 2024

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment result or segment assets:				
Depreciation of property, plant and equipment	19,999	83	2,619	22,701
Depreciation of right-of-use assets	—	—	744	744
Addition to non-current assets	884	—	31,029	31,913
Impairment loss on property, plant and equipment	2,629	352	219	3,200
Impairment loss/(reversal of impairment loss) on trade receivables recognised under ECL model, net	294	(5)	—	289
Reversal of write-down on inventories	(154)	(97)	—	(251)
Finance costs	—	—	32	32
Loss on disposal of property, plant and equipment	50	—	—	50

14. SEGMENT REPORTING *(continued)*

(c) Other entity-wide segment information *(continued)*

For the year ended 30 June 2023

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment result or segment assets:				
Depreciation of property, plant and equipment	20,009	1,262	2,432	23,703
Depreciation of right-of-use assets	—	—	769	769
Addition to non-current assets	513	—	—	513
Impairment loss/(reversal of impairment loss) on trade receivables recognised under ECL model, net	293	(25)	—	268
Reversal of write-down on inventories	—	(634)	—	(634)
Finance costs	—	—	22	22

14. SEGMENT REPORTING *(continued)*

(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, right-of-use assets and investment properties ("Specified Non-Current Assets"). The geographical location of customers is based on the location at which the goods were delivered or the services were rendered. The geographical locations of the Specified Non-Current Assets are based on the physical location of the assets in the case of property, plant and equipment and investment properties, and the location of the operation in the case of right-of-use assets.

	Revenues from external customers		Specified Non-Current Assets	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Hong Kong (place of domicile)	—	—	664	165
PRC, excluding Hong Kong	138,776	141,501	222,878	255,400
Others	427	35	—	—
	139,203	141,536	223,542	255,565

(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:

	2024 RMB'000	2023 RMB'000
Automation instrument and technology products segment		
Customer A	22,678	20,814
Customer B	21,433	21,930
Customer C	16,117	15,181
Customer D	N/A*	14,723
Customer E	N/A*	14,701

* The corresponding revenue did not contribute 10% or more of the Group's revenue during the corresponding years.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machineries RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
COST						
At 1 July 2022	317,259	408,271	22,810	1,959	11,758	762,057
Additions	363	—	—	—	150	513
Exchange adjustment	—	—	20	—	119	139
At 30 June 2023	317,622	408,271	22,830	1,959	12,027	762,709
At 1 July 2023	317,622	408,271	22,830	1,959	12,027	762,709
Additions	458	—	—	337	89	884
Disposal	—	—	—	(770)	—	(770)
Exchange adjustment	—	—	1	—	8	9
At 30 June 2024	318,080	408,271	22,831	1,526	12,124	762,832
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
At 1 July 2022	285,213	204,627	22,810	1,654	10,706	525,010
Charge for the year	6,478	17,105	—	16	104	23,703
Exchange adjustment	—	—	20	—	119	139
At 30 June 2023	291,691	221,732	22,830	1,670	10,929	548,852
At 1 July 2023	291,691	221,732	22,830	1,670	10,929	548,852
Charge for the year	4,217	18,372	—	16	96	22,701
Impairment loss recognised in profit or loss (note)	2,981	—	—	72	147	3,200
Disposal	—	—	—	(697)	—	(697)
Exchange adjustment	—	—	1	—	8	9
At 30 June 2024	298,889	240,104	22,831	1,061	11,180	574,065
CARRYING VALUES						
At 30 June 2024	19,191	168,167	—	465	944	188,767
At 30 June 2023	25,931	186,539	—	289	1,098	213,857

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machineries	10–20 years
Buildings	20 years
Leasehold improvements	Over the shorter of 5 years and the lease term
Motor vehicles	10 years
Furniture and fixtures	5 years

Note: Impairment assessment on property, plant and equipment is as follows:

The Group performed an impairment assessment on property, plant and equipment by estimating the recoverable amount of the cash-generating unit which the assets belong when it is not possible to estimate the recoverable amount individually. The recoverable amount includes allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less cost of disposal. The value in use calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years (2023: 5 years).

Key assumptions used in the cash flow projections are as follows:

	2024	2023
Pre-tax discount rate	15%	14%
Growth rate of cash flows beyond 5-year	3%	3%
Gross profit margin	25%-30%	32%-36%

Based on the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit based on the value in use calculation is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment losses recognised in profit or loss are summarised as follows:

	2024 RMB'000	2023 RMB'000
Impairment loss recognised on:		
— Property, plant and equipment	3,200	—

The recognition of the abovementioned impairment losses during the year ended 30 June 2024 was due to the decrease in sales as a result of continuing delay in the commencement of large-scale projects in the PRC (including but not limited to those in the petroleum and petrochemical industries) and unexpected decrease in market demand of both industrial automation instrument and technology products and horological instruments.

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Leasehold land RMB'000	Total RMB'000
As at 30 June 2024			
Carrying value	664	6,549	7,213
As at 30 June 2023			
Carrying value	163	6,760	6,923
For the year ended 30 June 2024			
Depreciation charge	533	211	744
For the year ended 30 June 2023			
Depreciation charge	558	211	769

The interests in leasehold land held were located in the PRC with lease term expiring in 2056. The Group has obtained the land use right certificates for all leasehold lands.

The leased properties represented office premises whereas the lease agreements are typical made for a fixed period of 2 years (2023: 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contracts is enforceable.

16. RIGHT-OF-USE ASSETS *(continued)*

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset		
— Properties leased for own use	533	558
— Interests in leasehold land held for own use	211	211
	744	769
Lease payments not included in the measurement of lease liabilities		
— Expenses relating to short-term leases	106	462
— Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	10	16
	116	478
Total cash outflow for leases (note)	680	1,072
Addition of right-of-use assets	1,029	—

Note: Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date. These amounts were presented in operating or financing cash flows.

17. INVESTMENT PROPERTIES

FAIR VALUE	2024 RMB'000	2023 RMB'000
At beginning of the year	34,785	32,744
(Decrease)/increase in fair value recognised in the consolidated statement of profit or loss	(7,223)	2,041
At end of the year	27,562	34,785

As at 30 June 2024 and 2023, the Group's investment properties comprised of office premises and car-park spaces which are located in Fuzhou, Fujian Province, the PRC. The Group held the abovementioned properties for earning rentals under operating leases with monthly rental receivables or for capital appreciation. The leases typically run for an initial period of 1 year.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

17. INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 30 June 2024 and 2023 have been arrived at on the basis of a valuation carried out on the respective dates by an independent firm of professional valuers not connected with the Group. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change in the valuation technique used in both years.

Date	Fair value	Fair value hierarchy	Valuation techniques	Unobservable input	Range of significant unobservable input	Relationship of unobservable inputs to fair value
At 30 June 2024	RMB27,562,000 (2023: RMB34,785,000)	Level 3	Direct comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office and carpark	Office: RMB13,410 to RMB14,530 (2023: RMB16,320 to RMB19,030) per square meter Carpark: RMB274,600 to RMB351,900 (2023: RMB309,300 to RMB340,670) per unit	The higher the adjusted transaction price, the higher the fair value, and vice versa

There were no transfers into or out of Level 3 during the year.

18. FINANCIAL ASSETS AT FVTOCI

Unlisted equity investments:	2024 RMB'000	2023 RMB'000
At beginning of the year	5,370	4,401
Addition (note)	30,000	—
Fair value changes (Note 10(c))	3,225	969
At end of the year	38,595	5,370

Note: The addition represents the capital contribution by the Group to one of the financial assets at FVTOCI.

Included in other comprehensive income is an amount of gain of approximately RMB3,225,000 (2023: RMB969,000) relating to unlisted equity securities classified as financial assets at FVTOCI held at the end of the current reporting period and is reported as changes of fair value through other comprehensive income (non-recycling).

The abovementioned unlisted investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these unlisted investments at FVTOCI as they believe that recognising short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's strategy of holding the investments for long-term purposes and realising their performance potential in the long run.

19. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2024 RMB'000	2023 RMB'000
Raw materials	12,374	16,406
Work in progress	2,552	2,238
Finished goods	2,640	2,621
	17,566	21,265

An analysis of the amounts of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Cost of inventories sold (Note 9(b))	104,177	106,542
Reversal of write-down on inventories	(251)	(634)
	103,926	105,908

20. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables from contracts with customers	76,163	78,736
Less: allowance for credit loss (Note 27(b))	(6,677)	(6,388)
	69,486	72,348
Prepayments, deposits and other receivables	2,494	2,491
	71,980	74,839

As at 1 July 2022, trade receivables from contracts with customers net of allowance for credit losses amounted to approximately RMB70,223,000.

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.

20. TRADE AND OTHER RECEIVABLES *(continued)*

The following is an aged analysis of trade receivables from contracts with customers presented based on the invoice dates, net of allowance, at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
0–60 days	28,619	26,278
61–120 days	23,689	24,185
121–180 days	17,178	21,885
	69,486	72,348

As at 30 June 2024, the Group's trade receivables balance of approximately RMB6,078,000 (2023: RMB5,775,000) were past due and impairment loss of approximately RMB6,078,000 (2023: RMB5,775,000) was recognised under expected credit loss model. The Group did not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 30 June 2024 and 2023 are set out in Note 27(b) to the consolidated financial statements.

21. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2024 RMB'000	2023 RMB'000
Cash at banks	1,416,983	1,444,560
Cash on hand	19	20
	1,417,002	1,444,580

Bank balances earn interest at floating rates based on daily deposit rates.

As at 30 June 2024 and 2023, the Group performed impairment assessment on bank balances and concluded that the probability of default of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Included in the bank balances and cash of the Group as at 30 June 2024 are bank balances amounting to approximately RMB164,000 (2023: RMB15,000) which are denominated in currencies other than the functional currencies of the respective group entities.

As at 30 June 2024, the balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to approximately RMB1,416,651,000 (2023: RMB1,444,391,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

21. BANK BALANCES AND CASH *(continued)*

Reconciliation of loss before taxation to cash (used in)/generated from operations:

	2024 RMB'000	2023 RMB'000
Loss before taxation	(33,268)	(21,756)
Adjustments for:		
— Depreciation of property, plant and equipment	22,701	23,703
— Depreciation of right-of-use assets	744	769
— Bank interest income	(2,873)	(3,789)
— Fair value loss/(gain) on investment properties	7,223	(2,041)
— Unrealised foreign exchange losses	88	2,466
— Loss on disposal of property, plant and equipment, net	50	—
— Reversal of write-down on inventories	(251)	(634)
— Impairment loss on property, plant and equipment	3,200	—
— Impairment loss on trade receivables recognised under ECL model, net	289	268
— Provision for warranties recognised/(reversed)	20	(9)
— Interest on lease liabilities	32	22
	(2,045)	(1,001)
Decrease/(increase) in inventories	3,950	(264)
Decrease/(increase) in trade and other receivables	2,570	(2,475)
(Decrease)/increase in trade and other payables	(10,885)	5,215
Cash (used in)/generated from operations	(6,410)	1,475

21. BANK BALANCES AND CASH *(continued)*

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	**Amount due to a related party (included in trade and other payables)**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 July 2022	710	—	710
Changes from financing cash flows:			
Capital element of lease liabilities paid	(572)	—	(572)
Interest element of lease liabilities paid	(22)	—	(22)
Advances from a related party	—	6,479	6,479
Total changes from financing cash flows	(594)	6,479	5,885
Other changes:			
Exchange adjustment	36	—	36
Interest expense (Note 8)	22	—	22
At 30 June 2023	174	6,479	6,653
At 1 July 2023	**174**	**6,479**	**6,653**
Changes from financing cash flows:			
Capital element of lease liabilities paid	**(532)**	**—**	**(532)**
Interest element of lease liabilities paid	**(32)**	**—**	**(32)**
Advances from a related party	**—**	**7,384**	**7,384**
Total changes from financing cash flows	**(564)**	**7,384**	**6,820**
Other changes:			
Addition of lease liabilities	**1,029**	**—**	**1,029**
Exchange adjustment	**4**	**—**	**4**
Interest expense (Note 8)	**32**	**—**	**32**
At 30 June 2024	**675**	**13,863**	**14,538**

22. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	14,735	26,344
Other payables and accruals	41,822	41,098
Amount due to a related party (note)	13,863	6,479
	70,420	73,921

Note: The amount represents temporary fund advanced from Mr. Wong. The amount is unsecured, interest-free and repayable on demand.

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

	2024 RMB'000	2023 RMB'000
0–30 days	7,785	14,853
31–90 days	6,241	10,855
91–180 days	110	31
Over 180 days	599	605
	14,735	26,344

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

23. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within 1 year shown under current liabilities	524	174
Within a period of more than 1 year but not more than 2 years shown under non-current liabilities	151	—
	675	174

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2023: 4.75%). Details of maturity of lease liabilities are set out in Note 27(b) to the consolidated financial statements.

24. DEFERRED TAX ASSETS/(LIABILITIES)

	Impairment of assets and provisions RMB'000	Valuation of financial assets at FVTOCI RMB'000	Valuation of investment properties RMB'000	Undistributed profits of a PRC subsidiary RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 July 2022	12,342	540	(558)	(17,625)	(5,301)
Charged to profit or loss (Note 10(a))	(295)	—	(641)	—	(936)
Charged to other comprehensive income (Note 10(c))	—	(145)	—	—	(145)
At 30 June 2023	12,047	395	(1,199)	(17,625)	(6,382)
At 1 July 2023	12,047	395	(1,199)	(17,625)	(6,382)
(Charged)/credited to profit or loss (Note 10(a))	(214)	—	747	—	533
Charged to other comprehensive income (Note 10(c))	—	(483)	—	—	(483)
At 30 June 2024	11,833	(88)	(452)	(17,625)	(6,332)

	2024 RMB'000	2023 RMB'000
Recognised in the consolidated statement of financial position:		
Deferred tax assets	11,833	12,442
Deferred tax liabilities	(18,165)	(18,824)
	(6,332)	(6,382)

At 30 June 2024, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to approximately RMB782,030,000 (2023: RMB802,978,000). Deferred tax liabilities of approximately RMB21,477,000 (2023: RMB22,524,000) which was related to profit earned after 1 June 2009 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the PRC subsidiary and the directors have determined that a portion of these profits will not be distributed in the foreseeable future.

24. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

The agreed unused tax losses of the subsidiary in the PRC will expire in the following years:

	2024 RMB'000	2023 RMB'000
2023	—	30,927
2024	10,669	10,669
2025	29,527	29,527
2026	28,104	28,104
2027	24,200	24,200
2028	28,318	—
	120,818	123,427

As at 30 June 2024, the Group has unused tax losses of approximately RMB120,818,000 (2023: RMB123,427,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the above tax losses due to the unpredictability of future profit streams.

25. PROVISION FOR WARRANTIES

	2024 RMB'000	2023 RMB'000
At beginning of the year	550	559
Provision recognised/(reversed) (Note 7)	20	(9)
At end of the year	570	550

Generally, the Group will rectify any product defects arising within 18 months of delivery of automation instrument and technology products to customers. Provision is therefore made for the best estimate of the expected settlements under these agreements in respect of sales made prior to the end of the reporting period. The amount of provision takes into account the Group's recent claim experience and provision is only made where a warranty claim is probable.

26. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was paid or proposed for ordinary shareholders of the Company for the years ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

(b) Authorised and issued share capital

There was no movement of the share capital of the Company during the years ended 30 June 2024 and 2023.

	Number of ordinary shares	Nominal value of ordinary shares	
			Equivalent to
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each at 1 July 2022, 30 June 2023, 1 July 2023 and 30 June 2024	10,000,000	1,000,000	880,500
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.1 each at 1 July 2022, 30 June 2023, 1 July 2023 and 30 June 2024	1,037,500	103,750	91,360

As at 30 June 2024 and 2023, 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.

(c) Nature and purpose of reserves

(i) Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Surplus reserve

Pursuant to applicable PRC regulations, the PRC subsidiary of the Group is required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be used, upon approval by the relevant authorities to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance of the reserve after such increase is not less than 25% of its registered capital.

26. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves *(continued)*

(iii) Other reserve

Other reserve arisen from the Group's reorganisation completed on 3 April 2008.

(iv) Revaluation reserve

Revaluation reserve represents the difference between the fair value and carrying amount of the properties at the date of transferring the property, plant and equipment to investment properties.

(v) FVTOCI reserve

The FVTOCI reserve (non-recycling) comprises the accumulated net change in the fair value of the equity investment designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies set out in Note 4.

(vii) Distributable reserve

At 30 June 2024, the aggregate amounts of distributable reserves available for distribution to the owners of the Company, including the distributable amounts of share premium as disclosed in Note 26(c)(i) were approximately RMB797,868,000 (2023: RMB806,410,000). After the end of the reporting period, the directors did not propose a dividend (2023: Nil).

(d) Capital management

Management of the Group manages capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of entities in the Group consists of debts, which include amount due to a related party (Note 22) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. A part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The directors balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

(a) Category of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at FVTOCI	38,595	5,370
Amortised costs		
— Trade and other receivables	69,888	72,945
— Bank balances and cash	1,417,002	1,444,580
	1,486,890	1,517,525
Financial liabilities		
Amortised costs		
— Trade and other payables	67,404	72,049
— Lease liabilities	675	174
	68,079	72,223

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, trade and other receivables, bank balances and cash, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

During the current year, there has been no change to the exposure of entities in the Group to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (Note 21). The following table details the interest rate profile of the Group's interest-generating financial assets at the end of the reporting periods:

	2024		2023	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate instruments:				
Cash at banks	**0%–1.00%**	**1,416,757**	0%–0.75%	1,444,478

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank balances. The analysis is prepared assuming the amounts of bank balances outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 100 basis points (2023: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax would decrease/increase by approximately RMB12,042,000 (2023: RMB12,278,000).

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in HK$ and United States dollar ("US$") which are currencies other than the functional currencies of the respective group entities. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are bank balances and cash and trade and other payables, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	2024	
	HK$	US$
	RMB'000	RMB'000
Bank balances and cash	—	164
Trade and other payables	(2,350)	(1,822)
Overall exposure	(2,350)	(1,658)

	2023	
	HK$	US$
	RMB'000	RMB'000
Bank balances and cash	—	15
Trade and other payables	(2,842)	(2,020)
Overall exposure	(2,842)	(2,005)

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ and US$. The sensitivity analysis below includes currency risk related to HK$ and US$ denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$ and US$ respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and US$. For a 5% weakening of RMB against HK$ and US$, there would be an equal and opposite impact.

	2024 RMB'000	2023 RMB'000
Loss for the year		
RMB against HK$	100	121
RMB against US$	70	85

Price risk

The major components used in the production of the Group's products included copper coils. The Group is exposed to fluctuations in the prices of copper coils which are influenced by global as well as regional supply and demand conditions. Fluctuations in the price of copper coils could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

In addition, the Group's unquoted investments are held for long term strategic purposes. Their performance are assessed at least bi-annually against performance of similar listed entities, based on limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Bank balances

The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks and financial institutions with a minimum credit rating of Baa2 (2023: Baa2), which the Group considers to be low credit risks.

At the end of the reporting period, the Group has a certain concentration of credit risk arising from deposits with banks as approximately 99.98% (2023: 99.99%) of total bank balances were deposited at one financial institution in the PRC.

Trade receivables from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is solely in the PRC. As at 30 June 2024, approximately 18% (2023: 18%) and approximately 69% (2023: 70%) of the total trade receivables were due from the Group's largest customer and the five largest customers within the segment of automation instrument and technology products. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables. Except for items that are subject to individual evaluation, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the external credit ratings for industry/Group's internal credit ratings/past-due amounts/repayment frequency after due dates. Details of the quantitative disclosures are set out below in this note.

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Other receivables

The directors of the Company have taken into account internal credit rating based on the historical default experience and credit quality and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets occurring within their respective loss assessment time horizon. They are grouped based on shared credit risk characteristics by reference to the external credit ratings for industry/Group's internal credit ratings/past-due amounts/repayment frequency after due dates. For the purpose of impairment assessment, the ECL of these financial assets is measured under 12-month ECL. No ECL allowance has been recognised as the amount is not considered to be material.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty is reputable and has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor is reputable but with past-due amounts and frequently repays after due dates	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2024 RMB'000	Gross carrying amount 2023 RMB'000
Financial assets at amortised cost						
Trade receivables from contracts with customers	20	N/A	Note 1	Lifetime ECL (not credit-impaired)	76,163	78,736
Other receivables	20	N/A	Note 2	12-month ECL	402	597
Bank balances	21	Baa2 or above (2023: Baa2 or above)	Note 3	12-month ECL	1,416,983	1,444,560

Notes:

1. For trade receivables from contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

   As part of the Group's credit risk management, the Group uses debtors' past due ageing to assess the impairment for its customers in relation to its operation because the customers of the Group consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from customers which are assessed collectively as at 30 June 2024 and 2023 within lifetime ECL (not credit-impaired).

   As at 30 June 2024

   Gross carrying amount

	Average loss rate	Trade receivables from contract with customers RMB'000
Current (not past due)	0.85%	70,085
1–30 days past due	—	—
31–90 days past due	100%	22
More than 90 days past due	100%	6,056
		76,163

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

1. *(continued)*

As at 30 June 2023

Gross carrying amount

	Average loss rate	Trade receivables from contract with customers RMB'000
Current (not past due)	0.84%	72,961
1–30 days past due	100%	2
31–90 days past due	—	—
More than 90 days past due	100%	5,773
		78,736

During the year ended 30 June 2024, the impairment allowance for trade receivables from contract with customers of approximately RMB289,000 (2023: RMB268,000) was recognised, based on the collective assessment.

2. In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, such as gross domestic products, as appropriate, and concluded that no significant increase in credit risk since initial recognition is noted and risk of default is insignificant, and therefore, no impairment has been recognised.

3. The Group measures the loss allowance on liquid funds equal to 12-month ECL. The credit risk on liquid funds is limited because cash are placed with reputable banks with external credit rating of at least Baa2 (2023: Baa2) assigned by an international credit rating agency or state owned.

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

There has been no change in the estimation techniques or significant assumptions made throughout the year.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables from contract with customers under simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000
As at 1 July 2022	6,120
Impairment losses recognised	471
Impairment losses reversed	(203)
	268
As at 30 June 2023	6,388
As at 1 July 2023	**6,388**
Impairment losses recognised	**319**
Impairment losses reversed	**(30)**
	289
As at 30 June 2024	**6,677**

The origination of new trade receivables from contract with customers net of those settled resulted in an increase in loss allowance of approximately RMB289,000 (2023: RMB268,000).

27. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 30 June 2024					
Trade and other payables	—	67,404	—	67,404	67,404
Lease liabilities	4.75%	545	152	697	675
		67,949	152	68,101	68,079

	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 30 June 2023					
Trade and other payables	—	72,049	—	72,049	72,049
Lease liabilities	4.75%	176	—	176	174
		72,225	—	72,225	72,223

27. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements and valuation process

Certain assets of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree of which the inputs to the fair value measurements is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets included in the consolidated statement of financial position	Fair value as at 30 June		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2024 RMB'000	2023 RMB'000				
Unlisted equity instruments	38,595	5,370	Level 3	Market approach: enterprise value to revenue ratio (2023: market approach: enterprise value to revenue ratio)	Discount for lack of marketability of 15% (2023: 25%)	Inverse proportion (2023: inverse proportion) (note)

Note: If the discount for lack of marketability of the respective equity instruments had been 5% higher/lower, the other comprehensive income for the year ended 30 June 2024 would decrease/increase by approximately RMB963,000/RMB962,000 (2023: RMB358,000/RMB358,000) as a result of the change in fair value of financial assets at FVTOCI.

27. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements and valuation process *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(continued)*

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2024 and 2023.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessor

As at 30 June 2024, the investment properties held by the Group for rental purposes have committed lessee for 1 year.

Undiscounted lease payment receivable on leases are as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	6	—

29. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group has the following transaction with its related parties.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 11 is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	3,482	3,371
Contribution to retirement benefit scheme	22	19
	3,504	3,390

Total remuneration (excluding directors' remuneration) is included in "staff costs" (see Note 9(a)).

30. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Interests in subsidiaries	30(a)	932,021	936,092
Current assets			
Bank balances and cash		25	82
Current liabilities			
Other payables and accruals		2,333	3,008
Net current liabilities		(2,308)	(2,926)
NET ASSETS		929,713	933,166
CAPITAL AND RESERVES	30(c)		
Share capital		91,360	91,360
Reserves		838,353	841,806
TOTAL EQUITY		929,713	933,166

(a) Interests in subsidiaries

	2024 RMB'000	2023 RMB'000
Unlisted equities, at cost	342	342
Amounts due from subsidiaries	931,679	935,750
	932,021	936,092

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries will not be repaid within twelve months from the end of the reporting period and are, therefore, presented in the statement of financial position as non-current assets.

30. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(continued)*

(b) Particulars of the subsidiaries of the Company

Particulars of the Company's subsidiaries as at 30 June 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Company		Attributable equity interest				Principal activities
				2024	2023	2024		2023		
						Direct	Indirect	Direct	Indirect	
Wide Plus High Precision Automation Limited	Hong Kong	N/A	HK$10,000	100%	100%	100%	—	100%	—	Investment holding
Fujian Wide Plus*	PRC	RMB813,714,104	RMB813,714,104	100%	100%	—	100%	—	100%	Manufacturing and selling of and provision of consigned processing services on high precision industrial automation instrument and technology products, and the manufacturing and selling of multi-functional all plastics quartz watch movements
WP Iot Technology Services (Asean) Limited	Hong Kong	N/A	HK$100	100%	100%	—	100%	—	100%	Dormant

* Fujian Wide Plus is a wholly foreign owned enterprise established in the PRC. The English translation of the company name is for reference only. The official name of Fujian Wide Plus is in Chinese (i.e. 福建上潤精密儀器有限公司).

30. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(continued)*

(c) Movements in components of equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 July 2022	91,360	941,077	(37,383)	(125,970)	869,084
Change in equity for the year ended 30 June 2023:					
Loss for the year	—	—	—	(8,697)	(8,697)
Exchange difference arising on translation	—	—	72,779	—	72,779
Total comprehensive income/(expense)	—	—	72,779	(8,697)	64,082
Balance at 30 June 2023	91,360	941,077	35,396	(134,667)	933,166
Balance at 1 July 2023	**91,360**	**941,077**	**35,396**	**(134,667)**	**933,166**
Change in equity for the year ended 30 June 2024:					
Loss for the year	**—**	**—**	**—**	**(8,542)**	**(8,542)**
Exchange difference arising on translation	**—**	**—**	**5,089**	**—**	**5,089**
Total comprehensive income/(expense)	**—**	**—**	**5,089**	**(8,542)**	**(3,453)**
Balance at 30 June 2024	**91,360**	**941,077**	**40,485**	**(143,209)**	**929,713**

Financial summary

RESULTS

	For the year ended 30 June				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	99,206	128,079	138,344	141,536	139,203
Loss before taxation	(96,525)	(27,144)	(35,342)	(21,756)	(33,268)
Income tax credit/(expense)	8,585	1,244	(542)	(936)	533
Loss attributable to owners of the Company	(87,940)	(25,900)	(35,884)	(22,692)	(32,735)

ASSETS AND LIABILITIES

	As at 30 June				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	356,206	325,857	295,009	273,377	273,970
Current assets	1,528,446	1,533,623	1,526,667	1,540,684	1,506,548
Current liabilities	(57,170)	(65,592)	(63,331)	(74,645)	(71,514)
Net current assets	1,471,276	1,468,031	1,463,336	1,466,039	1,435,034
Total assets less current liabilities	1,827,482	1,793,888	1,758,345	1,739,416	1,709,004
Non-current liabilities	(19,764)	(18,959)	(18,348)	(18,824)	(18,316)
Total equity	1,807,718	1,774,929	1,739,997	1,720,592	1,690,688