



中國高精密自動化集團有限公司

CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 591



INTERIM REPORT 2021/2022



HIGHLIGHTS

Revenue of the Group for the six months ended 31 December 2021 amounted to approximately RMB70,654,000, representing an increase of approximately 32.5% as compared to that of approximately RMB53,326,000 for the corresponding period in 2020;

Loss from operations for the six months ended 31 December 2021 amounted to approximately RMB1,962,000, as compared to that of approximately RMB13,535,000 for the corresponding period in 2020;

Net loss attributable to equity shareholders of the Company for the six months ended 31 December 2021 amounted to approximately RMB1,997,000, as compared to that of approximately RMB13,603,000 for the corresponding period in 2020;

Basic and diluted loss per share were RMB0.19 cents and RMB0.19 cents respectively for the six months ended 31 December 2021;

Shareholders' equity amounted to approximately RMB1,772,088,000 as at 31 December 2021;

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Cheung Chuen, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Cheung Chuen
Mr. Wong Fun Chung

REGISTERED OFFICE

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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

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18 Fenwick Street, Wanchai,
Hong Kong

COMPANY'S WEBSITE

www.chpag.cn

AUDITOR

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

LEGAL ADVISERS

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

As to PRC Laws
Beijing Jinwo 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
Level 54,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

591

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2021
(Expressed in Renminbi Yuan)

RESULTS

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2021 (the "Period") together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as follows:

	Note	Six months ended 31 December	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	70,654	53,326
Cost of sales		(49,259)	(52,702)
Gross profit		21,395	624
Other income	4	6,521	5,697
Other gain, net	4	823	4,725
Distribution costs		(1,102)	(1,401)
Administrative expenses		(29,306)	(20,751)
Impairment loss of trade receivables		(293)	(2,429)
Loss from operations		(1,962)	(13,535)
Finance costs — Interest on lease liabilities		(35)	(68)
Loss before taxation	5	(1,997)	(13,603)
Income tax	6	—	—
Loss for the period attributable to equity shareholders of the Company		(1,997)	(13,603)
Loss per share (RMB cents)			
— basic	7	(0.19)	(1.31)
— diluted	7	(0.19)	(1.31)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period attributable to equity shareholders of the Company	(1,997)	(13,603)
Other comprehensive (expenses)/income for the period, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(844)	(4,784)
Total comprehensive expenses for the period attributable to equity shareholders of the Company	(2,841)	(18,387)

Consolidated Statement of Financial Position

As at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2021 RMB'000 (Unaudited)	As at 30 June 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	250,981	262,809
Right-of-use assets		7,940	8,474
Investment properties		36,536	36,536
Deposits for the purchase of property, plant and equipment		207	276
Financial assets at fair value through other comprehensive income		4,052	4,052
Deferred tax assets		13,710	13,710
		313,426	325,857
Current assets			
Inventories		37,903	38,455
Trade and other receivables	10	73,932	77,048
Cash and cash equivalents		1,422,284	1,418,120
		1,534,119	1,533,623
Current liabilities			
Trade and other payables	11	55,513	64,124
Lease liabilities		1,006	1,041
Provision for warranties		522	427
		57,041	65,592
Net current assets		1,477,078	1,468,031
Total assets less current liabilities		1,790,504	1,793,888
Non-current liabilities			
Lease liabilities		—	543
Deferred tax liabilities		18,416	18,416
		18,416	18,959
NET ASSETS		1,772,088	1,774,929
CAPITAL AND RESERVES			
Share capital		91,360	91,360
Reserves		1,680,728	1,683,569
TOTAL EQUITY		1,772,088	1,774,929

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Surplus reserve	Other reserve	Revaluation reserve	Fair value through other comprehensive income reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2020	91,360	941,077	181,790	2,982	2,986	(1,505)	(16,932)	605,960	1,807,718
Changes in equity for the year ended 30 June 2021:									
Loss for the year	—	—	—	—	—	—	—	(25,900)	(25,900)
Other comprehensive income									
Currency translation differences	—	—	—	—	—	—	(5,389)	—	(5,389)
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,500)	—	—	(1,500)
Total comprehensive expenses	—	—	—	—	—	(1,500)	(5,389)	(25,900)	(32,789)
Balance at 30 June 2021 and 1 July 2021	91,360	941,077	181,790	2,982	2,986	(3,005)	(22,321)	580,060	1,774,929
Changes in equity for the six months ended 31 December 2021:									
Loss for the Period	—	—	—	—	—	—	—	(1,997)	(1,997)
Other comprehensive expenses	—	—	—	—	—	—	(844)	—	(844)
Total comprehensive expenses	—	—	—	—	—	—	(844)	(1,997)	(16,939)
Balance at 31 December 2021	91,360	941,077	181,790	2,982	2,986	(3,005)	(23,165)	578,063	1,772,088

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2021
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash generated from/(used in) operations	2,603	(28,689)
PRC income tax paid	—	—
Net cash generated from/(used in) operating activities	2,603	(28,689)
Net cash generated from investing activities	2,060	1,701
Net cash used in financing activities	(499)	(735)
Net increase/(decrease) in cash and cash equivalents	4,164	(27,723)
Cash and cash equivalents at beginning of the period	1,418,120	1,462,143
Cash and cash equivalents at end of the period	1,422,284	1,434,420

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 25 February 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 30 June 2021 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2021 are available from the Company’s registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 28 September 2021.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

3. REVENUE

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

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Disaggregation of revenue from contracts with customers:		
Sales of automation instrument and technology products	70,300	52,638
Sales of horological instruments	354	688
	70,654	53,326

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

4. OTHER INCOME AND OTHER GAIN, NET

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income/(loss)		
Bank interest income	2,123	2,195
Rental income	1,243	2,015
Government grants	2,665	1,118
(Provision)/reversal of provision for warranties	(95)	115
Service income	585	35
Sundry income	—	219
	6,521	5,697
Other gain/(loss), net		
Net foreign exchange gain/(loss)	839	4,796
Loss on disposal of property, plant and equipment	(16)	(71)
	823	4,725

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

5. LOSS BEFORE TAXATION

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	24	25
Salaries, wages and other benefits	18,139	18,239
	18,163	18,264

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the "Defined Contribution Scheme") organised by the PRC municipal government authority in the Fujian province whereby the Group is required to make a contribution at the rate of 16% (2020: 16%) of the eligible employees' salaries to the Defined Contribution Scheme. The Group has accrued for the required pension fund contributions, which are remitted to the social security office in the Fujian province when the contributions become due. The social security office in the Fujian province is responsible for making the benefit payments to the retired employees covered under the Defined Contribution Scheme. Contributions made under the Defined Contribution Scheme vest immediately.

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. The Group's and employee's contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. Contributions made under the MPF Scheme vest immediately.

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

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(b) Other items:		
Depreciation of property, plant and equipment	11,875	19,914
Depreciation of right-of-use assets	534	795
Research and development costs	2,786	2,706
Provision for warranties	95	—
Expenses relating to short-term leases	491	330
Cost of inventories sold	49,259	52,702

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

6. INCOME TAX

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax — PRC Income Tax		
Current period	—	—
Deferred tax		
Current period	—	—
	—	—

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the Period (unaudited) (six months ended 31 December 2020: Nil (unaudited)).
- (iii) No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current period.
- (iv) Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise (“ANTE”) that meets the conditions according to the Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. (“Fujian Wide Plus”) was recognised as an ANTE as approved by the relevant authorities.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB1,997,000 (unaudited) (six months ended 31 December 2020: RMB13,603,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2020: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 31 December 2021 of RMB1,997,000 (unaudited) (six months ended 31 December 2020: loss of RMB13,603,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options. For the six months ended 31 December 2021 and 31 December 2020, diluted loss per share was equal to basic loss per share as there was no dilutive potential ordinary shares.

	Six months ended 31 December	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Weighted average number of ordinary shares (basic)	1,037,500	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	N/A*	N/A*
Weighted average number of ordinary shares (diluted)	1,037,500	1,037,500

* The share option scheme expired on 13 November 2019.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Automation instrument and technology products: the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments.

Horological instruments: the manufacture and trading of multi-functional all-plastic quartz watch movements.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, provision for warranties and current tax payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is "adjusted (loss)/profit from operations". To arrive at reportable segment (loss)/profit, the Group's (loss)/profit from operations is adjusted for items not specifically attributed to individual segments, such as head office or corporate administrative expenses. In addition to receiving segment information concerning adjusted (loss)/profit from operations, management is provided with segment information concerning revenue, additions to non-current segment assets, depreciation and amortisation and allowance for doubtful debt.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2021 and 2020 is set out below.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Reportable segment revenue	70,300	52,638	354	688	70,654	53,326
Reportable segment loss (adjusted loss from operations)	(650)	(7,686)	(5,791)	(6,089)	(6,441)	(13,775)

	Automation instrument and technology products		Horological instruments		Total	
	At	At	At	At	At	At
	31 December 2021 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Audited)	31 December 2021 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Audited)	31 December 2021 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Audited)
Reportable segment assets	266,298	272,711	68,287	76,646	334,585	349,357
Addition to non-current segment assets during the six months ended 31 December 2021/year	69	278	—	—	69	278
Reportable segment liabilities	15,920	23,690	1,742	970	17,662	24,660

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	70,654	53,326
Revenue	70,654	53,326
	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit or loss		
Reportable segment loss	(6,441)	(13,775)
Unallocated head office and corporate income/(expenses)	4,444	172
Loss before taxation	(1,997)	(13,603)
	At	At
	31 December 2021 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Audited)
Assets		
Reportable segment assets	334,585	349,357
Unallocated head office and corporate assets	1,512,960	1,510,123
Consolidated total assets	1,847,545	1,859,480

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING (continued)

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

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
Liabilities		
Reportable segment liabilities	17,662	24,660
Unallocated head office and corporate liabilities	57,795	59,891
Consolidated total liabilities	75,457	84,551

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired items of property, plant and equipment amounting to RMB69,000 (unaudited) (six months ended 31 December 2020: RMB496,000 (unaudited)).

10. TRADE AND OTHER RECEIVABLES

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

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
0–60 days	24,223	30,541
61–120 days	24,343	23,739
121–180 days	25,668	23,382
Over 180 days	5,978	5,785
Total trade receivables	80,212	83,447
Less: Accumulated impairment loss	(8,500)	(8,207)
Total trade receivables, net of impairment loss	71,712	75,240

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

11. TRADE AND OTHER PAYABLES

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

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
Within 1 month or on demand	12,967	10,372
Due after 1 month but within 3 months	73	9,483
Due after 3 months but within 6 months	48	82
Over 6 months	1,309	759
	14,397	20,696

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

12. DIVIDENDS

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2020: Nil (unaudited) per ordinary share)	—	—

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS

(a) Operating leases

The Group as lessor

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
Within 1 year	3,107	3,032
After 1 year but within 5 years	786	2,358
	3,893	5,390

The Group as lessee

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
Within 1 year	535	304
After 1 year but within 5 years	140	—
	675	304

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS (continued)

(b) Capital commitments

Capital commitments outstanding at the end of the reporting periods not provided for in the interim financial report were as follows:

	At 31 December 2021 RMB'000 (Unaudited)	At 30 June 2021 RMB'000 (Audited)
Contracted for:		
— Acquisition of property, plant and equipment	22	22
Authorised but not contracted for:		
— Acquisition of property, plant and equipment	—	—
	22	22

14. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	Six months ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	1,407	1,477
Contribution to retirement benefit schemes	11	11
	1,418	1,488

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

The Company primarily engages in the research and development, manufacture and sales of automation instruments. During the Period, the Company and its upstream and downstream enterprises were adversely affected by the COVID-19 pandemic, hence the sales of the Company's products was affected to a certain extent.

During the Period, the Company further developed its existing market, explored incremental market, deployed potential market, actively sought new growth opportunities, strengthened the control on process quality by focusing on localization and intelligence which effectively improved the reliability and stability of the products. Through its advanced technical strength and reliable product quality, the Company continued to gain the recognition of customers.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the Period, sales of high precision industrial automation instrument and technology products amounted to approximately RMB70,300,000 (six months ended 31 December 2020: approximately RMB52,638,000), representing approximately 99.5% (six months ended 31 December 2020: approximately 98.7%) of the Group's total turnover. The Group continued to focus on the production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. Reportable segment loss of this business segment was approximately RMB650,000 for the Period as compared to that of approximately RMB7,686,000 for the corresponding period in 2020.

Horological instruments

Sales of horological instruments amounted to approximately RMB 354,000 (six months ended 31 December 2020: approximately RMB688,000), representing approximately 0.5% (six months ended 31 December 2020: approximately 1.3%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of approximately RMB 5,791,000 for the Period as compared to that of approximately RMB6,089,000 for the corresponding period in 2020.

MANUFACTURING FACILITIES

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

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

PROSPECTS

The industrial automation control system devices manufacturing industry in which the Company operates is an important branch of the instrument industry, an important component of the equipment industry, and also one of the cores of advanced manufacturing industries developed by China. With the effective control of the COVID-19 pandemic in China, it is expected that end-user consumption would recover gradually after the market stabilization, the demand of downstream markets would gradually increase, which will promote the sustainable development of the industrial automation instrument industry.

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

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB70,654,000 for the Period (six months ended 31 December 2020: approximately RMB53,326,000), representing a increase of approximately 32.5% as compared to that of the corresponding period in 2020. The increase is mainly due to the increase in sales of industrial automation instrument products during the Period. Nonetheless, the Group is still adversely affected by the sluggish global economy and the COVID-19 outbreak which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent low market demand of both industrial automation instrument and technology products and horological instruments.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB21,395,000 (six months ended 31 December 2020: approximately RMB624,000) and approximately RMB1,962,000 (six months ended 31 December 2020: approximately RMB13,535,000) respectively. The increase in gross profit is mainly due to the increase in sales of industrial automation instrument products and the result of adoption of a series of new product design for automation instrument and technology products which effectively lowered the raw material costs.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB21,385,000 for the Period (six months ended 31 December 2020: approximately RMB4,611,000). It is mainly due to the increase in sales and the result of adoption of a series of new product design which effectively lowered the raw material costs.

The segment of horological instruments recorded a gross profit of approximately RMB10,000 for the Period (six months ended 31 December 2020: gross loss of approximately RMB3,987,000). It is mainly due to the decrease in the manufacturing cost. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

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

Net loss

The loss attributable to equity shareholders of the Company for the Period was approximately RMB1,997,000, as compared to that of approximately RMB13,603,000 for the corresponding period in 2020. It was mainly due to the factors as mentioned above.

Management Discussion and Analysis

Loss per share

Both the basic and diluted loss per share for the Period were RMB0.19 cents (six months ended 31 December 2020: both RMB1.31 cents).

Capital Structure, Liquidity and Financial Resources

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

As at 31 December 2021, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,422,284,000 (30 June 2021: approximately RMB1,418,120,000), approximately RMB1,477,078,000 (30 June 2021: approximately RMB1,468,031,000) and approximately RMB1,790,504,000 (30 June 2021: approximately RMB1,793,888,000) respectively.

Borrowings

As at 31 December 2021, the Group had no bank borrowings (30 June 2021: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2021 decreased by approximately RMB2,841,000 to approximately RMB1,772,088,000 (30 June 2021: approximately RMB1,774,929,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 31 December 2021 was approximately 0.04 (30 June 2021: approximately 0.05).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

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

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

Up to 31 December 2021, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$189 million were used for research and development efforts;
3. Approximately HK\$196 million were used for network development and sales support services; and
4. Approximately HK\$47 million were used for the Group's information system development.

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

SIGNIFICANT INVESTMENTS

The Group held no significant investment during the Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 31 December 2021 the Group employed a total of 485 employees (30 June 2021: 489). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to approximately RMB18,163,000 (six months ended 31 December 2020: approximately RMB18,264,000). Training activities are provided to staff, which included new employees orientation, technical training, professional skill enhancement training, safety training, external classes, regular voluntary firemen training, training seminars and expat training.

CHARGE ON ASSETS

As at 31 December 2021, the Group did not have any charges on its assets (30 June 2021: Nil).

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

The Group had no future plans for material investments or capital assets as at 31 December 2021.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital expenditure contracted for but not provided in the interim financial report amounted to approximately RMB22,000 (30 June 2021: approximately RMB22,000).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (30 June 2021: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2021

There was no important events affecting the Group which have occurred during the period from 1 January 2022 to the date of this interim report.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

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

Notes:

- 39,824,704 shares were held by Fortune Plus Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 66.6% by Mr. Wong. Therefore Mr. Wong is deemed to be interested in these shares under the SFO.
- As at 31 December 2021, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2021, so far as is known to any Directors or chief executive of the Company, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

As at 31 December 2021, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

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

Note:

1. As at 31 December 2021, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2021, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 28 October 2009. The scheme expired on 13 November 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Code Provision C.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

REMUNERATION COMMITTEE

As at 31 December 2021 and the date of this interim report, the remuneration committee of the Board (the "Remuneration Committee") comprises three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman. The Remuneration Committee is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Other Information

NOMINATION COMMITTEE

The Group established a nomination committee (the “Nomination Committee”) since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. As at 31 December 2021 and the date of this interim report, the Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

AUDIT COMMITTEE

The Board established an audit committee (the “Audit Committee”) since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company’s financial information, and to perform other duties and responsibilities as assigned by the Board. As at 31 December 2021 and the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results and this interim report for the six months ended 31 December 2021, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The Audit Committee considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL REPORT

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

SUSPENSION OF TRADING

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

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

Hong Kong, 25 February 2022