



# 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

ANNUAL REPORT

2022/2023





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## Financial highlights

	2023 RMB'000	2022 RMB'000	Increase/ (decrease) %
Turnover	141,536	138,344	2.3
Loss from operations	21,734	35,273	(38.4)
Loss attributable to owners of the Company	22,692	35,884	(36.8)
Loss per share (RMB cents) — basic and diluted	RMB2.19 cents	RMB3.46 cents	(36.7)
Shareholders' equity	1,720,592	1,739,997	(1.1)

# 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](http://www.chpag.cn)

### AUDITOR

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

### LEGAL ADVISERS

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

*As to PRC Laws*  
Fujian Hantan Law Firm

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

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

### STOCK CODE

591

# 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 2023 (the "Year") to the shareholders for their review.

During the Year, the turnover of the Group amounted to approximately RMB141,536,000, representing an increase of 2.3% as compared with last year. Gross profit was approximately RMB34,994,000, representing an increase of 7.9% as compared with last year. Net assets were approximately RMB1,720,592,000, representing a decrease of 1.1% as compared with last year.

The principal business of the Group continues to be the research and development, manufacture and sales of automation instruments. During the Year, under the impact of various unexpected factors such as international geopolitical fluctuations, global economic downturn and the volatile COVID-19 pandemic, there was increase in the complexity, severity and uncertainty of the economic development. Facing such impacts and challenges, the Company persisted with stable operation, market expansion and innovation, and maintained a sustained and stable positive development trend.

During the Year, there was no significant change in the Company's core competitiveness. The Company has an excellent research and development team as well as advanced research and development and production facilities, and the technical specifications of its products remain at an internationally-advanced and domestically-leading level. Going forward, the Company will continue to focus on serving the major needs of the nation, maintaining independent and controllable capabilities in key areas, accelerating the expansion of emerging areas, and improving the market penetration rate of mid-to-high-end market.

## **Wong Fun Chung**

*Chairman*

Hong Kong, 29 September 2023

# 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 2023 (the “Year”).

## MARKET AND BUSINESS REVIEW

As of 30 June 2023, the principal business of the Group is the research and development, manufacture and sales of automation instruments. The impact of various unexpected factors such as international geopolitical fluctuations, global economic downturn and the volatile COVID-19 pandemic on the Company and its upstream and downstream enterprises has brought greater pressure on the Company’s market expansion.

During the Year, the Company responded prudently when facing the impact of various unfavorable factors. The Company gave full play to the advantages of complete product lines and leading product quality, increased the overall promotional work, focused on key customers and key projects, and made every effort to create “domestically produced” benchmark projects. Meanwhile, the Company actively expanded to new markets and new customers, and won the recognition of customers 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 RMB140,945,000 (2022: approximately RMB134,768,000), representing approximately 99.6% (2022: approximately 97.4%) of the Group’s total turnover. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. This segment recorded reportable segment loss of approximately RMB13,236,000, as compared to that of approximately RMB10,949,000 in 2022.

### Horological instruments

Sales of horological instruments were approximately RMB591,000 (2022: approximately RMB3,576,000), which accounts for approximately 0.4% (2022: approximately 2.6%) of the Group’s total turnover during the Year. This segment recorded reportable segment loss of approximately RMB5,466,000, as compared to that of approximately RMB21,197,000 in 2022.

The decrease in this segment loss for the Year is mainly due to the reversal of write-down on inventories of approximately RMB634,000 (2022: write-down on inventories of approximately RMB12,134,000) under the intense market competition of horological instruments segment.

## 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.

## Management discussion and analysis

### PROSPECTS

Given the high requirements of automatic instruments in terms of product technology, precision, reliability and stability, import brands account for a larger proportion in the domestic mid-to-high-end market. After years of technological innovation, market experience, brand cultivation and team building, the comprehensive strength of China's industrial automation control system device manufacturing industry has been significantly improved. Leading enterprises in the industry have competed with internationally renowned brands in some product fields. On the other hand, there is still a considerable degree of small and scattered, low level and homogeneous phenomena in the industry, which is yet to meet the urgent needs of high-quality development in China as well as independent and controllable capabilities for key instrument equipment facilities and core technology, and there is still some room for improvement in the industry as a whole compared with the advanced international level.

The Company is a leading enterprise in the domestic industrial automation control system device manufacturing industry. The industrial automation control system device manufacturing industry is with an open market and is a fully competitive and technology-intensive industry. The Company persists in the innovation-driven development strategy, and the technology performance of the leading products is domestically leading through continuous technological improvement and upgrading, and some of them have reached the advanced international level. It has made proactive contributions to accelerate the domestically-produced process of major equipment, realize the independent and controllable key technologies, and lead the development of China's automation instrument technology, and hence the Company's brand is relatively well-known in the industry.

### FINANCIAL REVIEW

#### Turnover

Turnover of the Group amounted to approximately RMB141,536,000 for the Year (2022: approximately RMB138,344,000), representing an increase of about 2.3% as compared to that of last year. The increase is mainly due to the increase in sales of automation instrument and technology products. Nevertheless, the Group remains adversely affected by the sluggish global economy and the COVID-19 pandemic which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent decrease in market demand of both industrial automation instrument and technology products and horological instruments.

#### Gross profit and loss from operations

During the Year, the Group's gross profit and loss from operations amounted to approximately RMB34,994,000 (2022: approximately RMB32,441,000) and approximately RMB21,734,000 (2022: approximately RMB35,273,000) respectively. The increase in gross profit is mainly due to the increase in sales of automation instrument and technology products and improvements made on the production to enhance the gross profit margin. The loss from operations included approximately RMB268,000 (2022: reversal of impairment loss on trade receivables of approximately RMB2,087,000) and RMB634,000 (2022: write-down of inventories of approximately RMB12,134,000) in relation to impairment loss on trade receivables and reversal of write-down on inventories respectively.

## Management discussion and analysis

The segment of automation instrument and technology products recorded a gross profit of approximately RMB35,119,000 for the Year, as compared to that of approximately RMB32,778,000 in 2022. It is mainly due to the increase in sales and the result of adoption of a series of new product design which effectively lowered the raw material costs.

The segment of horological instruments suffered a gross loss of approximately RMB125,000 for the Year, as compared to that of approximately RMB337,000 in 2022. 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 RMB22,692,000, as compared to that of approximately RMB35,884,000 in 2022. It was mainly attributable to the factors as mentioned above.

### Loss per share

Both the basic and diluted loss per share for the Year were RMB2.19 cents (2022: both RMB3.46 cents).

### Capital structure, liquidity and financial resources

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

As at 30 June 2023, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,444,580,000 (30 June 2022: approximately RMB1,433,668,000), approximately RMB1,466,039,000 (30 June 2022: approximately RMB1,463,336,000) and approximately RMB1,739,416,000, (30 June 2022: approximately RMB1,758,345,000) respectively.

### Borrowings

As at 30 June 2023, the Group had no bank borrowings (30 June 2022: Nil).

### Equity

Total equity attributable to owners of the Company as at 30 June 2023 decreased by approximately RMB19,405,000 to approximately RMB1,720,592,000 (30 June 2022: approximately RMB1,739,997,000).

### Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2023 was approximately 0.05 (30 June 2022: approximately 0.05).

## Management discussion and analysis

### 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 2023, 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\$196 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 acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the Year.

### EMPLOYEES

As at 30 June 2023, the Group employed a total of 473 employees (30 June 2022: 467). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration package within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB37,712,000 (2022: approximately RMB38,276,000).

The emolument policy of the Group and the basis of determining the directors' emolument are set out in the section headed "Remuneration Committee" on page 18.

### CHARGE ON ASSETS

As at 30 June 2023, the Group did not have any charges on its assets (30 June 2022: Nil).

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

The Group had no future plans for material investments or capital assets as at 30 June 2023.

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 2023, the Group had no capital expenditure contracted for but not provided in the consolidated financial statements (30 June 2022: Nil).

### CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (30 June 2022: Nil).

# Biographical information of directors and senior management

## DIRECTORS

### Executive Directors

Mr. Wong Fun Chung (黃訓松), aged 70, 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 32 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 (中央電視臺). 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 2023.

Mr. Zou Chong (鄒崇), aged 53, 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 32 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 73, 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 31 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.

## Biographical information of directors and senior management

Mr. Cheung Chuen (張全), aged 49, 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 15 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 24 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 59, was appointed as an independent non-executive Director of the Company on 2 April 2008. He has served the Group for 15 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 82, was appointed as an independent non-executive Director of the Company on 2 April 2008. She has served the Group for 15 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 45, was appointed as an independent non-executive Director of the Company on 2 April 2008. He has served the Group for 15 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 around 24 years of 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.

## Biographical information of directors and senior management

### SENIOR MANAGEMENT

Mr. Tang Chong Sen (唐崇森), aged 83, 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 27 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 81, 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.

# Corporate governance report

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 “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Year, except for the deviation from the Code Provision C.2.1 of the Code as described in the section headed “B.7. Chairman and Chief Executive Officer” below.

## 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 10 to the Listing Rules (the “Model Code”) as the required standard for securities transactions by Directors.

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

## B. BOARD OF DIRECTORS

### 1. Composition of the Board of Directors

As at 30 June 2023, 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.

# Corporate governance report

## 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 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 2023, 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 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 2023, the Board conducted four 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:

<b>Members</b>	<b>No. of attendance</b>
<b>Executive Directors</b>	
Mr. Wong Fun Chung ( <i>Chairman and Chief Executive Officer</i> )	4/4
Mr. Zou Chong	4/4
Mr. Su Fang Zhong	4/4
Mr. Cheung Chuen	4/4
<b>Independent non-executive Directors</b>	
Dr. Hu Guo Qing	4/4
Ms. Ji Qin Zhi	4/4
Mr. Chan Yuk Hiu, Taylor	4/4

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, 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 16 December 2022. The attendance records of members of the Board of the general meeting held are set out below:

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

## 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 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, 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. Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor will be subject to retirement by rotation and offers themselves for re-election at the forthcoming annual general meeting. The Board has expressed its view on the independence of Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor, in a circular in relation to, among other matters, the re-election of retiring Directors in the forthcoming annual general meeting for shareholders' consideration.

## 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, 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.

<b>Name of Directors</b>	<b>Type of trainings</b>
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 2023, 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 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 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.

## Corporate governance report

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’s ability to pay dividends will depend upon, among other things, the Group’s current and future operations, financial position, development pipeline, contractual restrictions, prevailing economic environment, capital and other reserve requirements, as well as any other conditions or factors which the Board deems relevant and having regard to the directors’ fiduciary duties. There is no assurance that dividends will be paid in any particular amount for any given period.

## 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 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 2023, 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:

<b>Members</b>	<b>No. of attendance</b>
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 2023 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 2023 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 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 2023.

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 2023, 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 2023;
- (ii) review of the draft consolidated financial statements of the Group for the year ended 30 June 2023 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 2023 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 2022 with a recommendation to the Board for publication and approval;

## Corporate governance report

- (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 2023 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 2023. The attendance records of the Audit Committee meetings held are set out below:

<b>Members</b>	<b>No. of attendance</b>
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 2023 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 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 2023, 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:

<b>Members</b>	<b>No. of attendance</b>
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 2023 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.

# Corporate governance 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 2023, the remuneration paid/payable to the Company's auditors, Crowe (HK) CPA Limited, is set out as follows:

<b>Nature of Services</b>	<b>Fee paid/payable</b> RMB'000
Audit services	1,924
Non-audit services	27
<b>Total</b>	<b>1,951</b>

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](mailto: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](http://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. During the year ended 30 June 2023, in order to reflect the core shareholder protection standards as set out in the revised Appendix 3 to the Listing Rules which took effect on 1 January 2022 and for house-keeping purposes, the articles of association of the Company was amended and restated pursuant to a special resolution passed by the Shareholders at the annual general meeting of the Company held on 16 December 2022. Save as disclosed above, there has been no change in the Company's constitutional documents during the year ended 30 June 2023.

# 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 27 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, social and governance report

## 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.

# Environmental, social and governance report

## 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 December 2022, 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	
	2023	2022
Waste water:	5,100 tonnes	4,966 tonnes
suspension	214.2 kg	488.2 kg
five-day biochemical oxygen demand	87.7 kg	305.0 kg
chemical oxygen demand	321.3 kg	1,317.9 kg
animal and vegetable oil	1.3 kg	3.7 kg
ammonia	96.9 kg	74.6 kg
Exhaust gas:	9,459,600 Nm <sup>3</sup>	10,780,000 Nm <sup>3</sup>
particulates	1.69 kg	0.85 kg
non-methane hydrocarbons	0.30 kg	6.70 kg
tin	0.00 kg	0.00 kg

# Environmental, social and governance report

## 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.

# Environmental, social and governance report

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)
<b>For the year ended 30 June 2023</b>			
Unit consumed	111	4,508	68
<b>For the year ended 30 June 2022</b>			
Unit consumed	112	4,713	94

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.

# Environmental, social and governance report

## 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<sup>2</sup>, the designed discharge for rainwater is 1,210 L/S, and the designed discharge for sewage is 81.9 m<sup>3</sup>/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:

- 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;
- 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
- 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 follow:

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:	30–40 years old:	41–49 years old:	50 years old or above:
		91	159	144	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

# Environmental, social and governance report

As at 30 June 2022

Total number of employees		467		
Employment type		Full-time		
Gender	Male:	289	Female:	178
Age group	17-29 years old: 86	30-40 years old: 171	41-49 years old: 141	50 years old or above: 69
Geographical region	Fujian Province	280	Hebei Province	3
	Sichuan Province	53	Shandong Province	3
	Jiangxi Province	30	Beijing City	3
	Hubei Province	15	Guangdong Province	2
	Henan Province	13	Guangxi Province	2
	Hunan Province	13	Jilin Province	2
	Shaanxi Province	11	Jiangsu Province	2
	Chongqing City	5	Heilongjiang	1
	Anhui Province	5	Inner Mongolia	1
	Guizhou Province	6	Hong Kong	6
	Yunnan Province	4	Chengdu	1
	Shanghai City	3	Taiwan	1
	Xinjiang	1	Shenyang	1
Total		467		

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

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%	Hebei Province	1	0.2%						
	Hubei 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%						

# Environmental, social and governance report

2022

Total number of employees		89		Turnover rate		15.9%			
Gender	Male:	61	Turnover rate:	10.9%	Female:	28	Turnover rate:	5.0%	
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	
	52	9.3%	26	4.7%	9	1.6%	2	0.3%	
Geographical region	Province	Number of employees	Turnover rate	Province	Number of employees	Turnover rate			
	Fujian Province	55	9.8%	Hunan Province	1	0.2%			
	Sichuan Province	9	1.6%	Shaanxi Province	2	0.3%			
	Jiangxi Province	6	1.1%	Jiangsu Province	1	0.2%			
	Hubei Province	6	1.1%	Chongqing City	1	0.2%			
	Gansu Province	5	0.9%	Liaoning Province	1	0.2%			
	Henan Province	2	0.3%						

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 October 2022, 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 Group also implemented additional measures to ensure the health and safety of its employee under the COVID-19 outbreak. For instance, there was work-from-home arrangement (subject to the role of the employee), provision and supporting the use of communication and conferencing systems in internal and external communication, provision of sanitary and disinfection products and equipment etc.

## Environmental, social and governance report

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

<b>Year</b>	<b>2020.7–2021.6</b>	<b>2021.7–2022.6</b>	<b>2022.7–2023.6</b>
Number of fatalities	0	0	0

Lost days due to work injury:

<b>Year</b>	<b>2020.7–2021.6</b>	<b>2021.7–2022.6</b>	<b>2022.7–2023.6</b>
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.

# Environmental, social and governance report

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

2023

Date	Type of training	Number of trained employees				Total	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	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%

2022

Date	Type of training	Number of trained employees				Total	Positions of employees						
		Male	%	Female	%		Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2021.7-2022.6	New employee orientation training	56	81.2%	13	18.8%	69	0.0%	0.0%	5.8%	2.9%	11.6%	76.8%	2.9%
2021.7-2022.6	Job-specific skill training	103	74.6%	35	25.4%	138	2.2%	10.9%	10.1%	3.6%	5.0%	66.7%	1.5%
2021.7	Occupational health	13	36.1%	23	63.9%	36	0.0%	19.5%	33.3%	8.3%	27.8%	11.1%	0.0%
2021.8	API quality system	30	76.9%	9	23.1%	39	5.1%	7.7%	15.4%	5.1%	7.7%	59.0%	0.0%
2021.9	ISO quality system	21	44.7%	26	55.3%	47	8.5%	27.7%	31.9%	8.5%	8.5%	14.9%	0.0%
2021.10	Laws and regulations	18	58.1%	13	41.9%	31	3.2%	19.3%	6.5%	6.5%	9.7%	54.8%	0.0%
2021.11	Safe production	26	63.4%	15	36.6%	41	7.3%	31.7%	34.1%	2.4%	4.9%	19.6%	0.0%
2021.12	Environmental protection	18	58.1%	13	41.9%	31	22.6%	41.9%	22.6%	0.0%	3.2%	3.2%	6.5%
2022.1	ISO13485 quality system	10	55.6%	8	44.4%	18	11.1%	27.8%	27.8%	11.1%	22.2%	0.0%	0.0%
2022.2	Health and safety	6	50.0%	6	50.0%	12	16.7%	41.6%	25.0%	0.0%	16.7%	0.0%	0.0%
2022.3	Site management	22	62.9%	13	37.1%	35	2.9%	22.9%	34.2%	5.7%	5.7%	28.6%	0.0%
2022.4	Laws and regulations	20	62.5%	12	37.5%	32	6.3%	15.6%	37.5%	6.3%	9.3%	25.0%	0.0%
2022.5	API quality system	26	81.3%	6	18.7%	32	6.2%	6.2%	9.4%	0.0%	9.4%	68.8%	0.0%
2022.6	Occupational health	14	35.0%	26	65.0%	40	2.5%	15.0%	20.0%	5.0%	10.0%	42.5%	5.0%

# Environmental, social and governance report

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

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

2022

Date	Type of training	Average training hours		Positions of employees						
		Male	Female	Senior management	Mid-level management	Basic-level management	Marketing	Professional skills	Production workforce	Others
2021.7-2022.6	New employee orientation training	20	20	—	—	80	40	160	1,060	40
2021.7-2022.6	Job-specific skill training	20	20	61	301	279	99	138	1,841	41
2021.7	Occupational health	4	4	—	28	48	12	40	16	—
2021.8	API quality system	4	4	8	12	24	8	12	92	—
2021.9	ISO quality system	4	4	16	52	60	16	16	28	—
2021.10	Laws and regulations	8	8	8	48	16	16	24	136	—
2021.11	Safe production	4	4	12	52	56	4	8	32	—
2021.12	Environmental protection	4	4	28	52	28	—	4	4	8
2022.1	ISO13485 quality system	8	8	16	40	40	16	32	—	—
2022.2	Health and safety	4	4	8	20	12	—	8	—	—
2022.3	Site management	4	4	4	32	48	8	8	40	—
2022.4	Laws and regulations	4	4	8	20	48	8	12	32	—
2022.5	API quality system	8	8	16	16	24	—	24	176	—
2022.6	Occupational health	4	4	4	24	32	8	16	68	8

## **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 2023, 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.

# Environmental, social and governance report

## ***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 2023, 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 which 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 2022, and the 2nd "Harmony Cup" labor table tennis tournament in Mawei Hi-tech Industry Park, 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 2023 (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 pages 5 to 9 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 2023 are set out in the consolidated financial statements on pages 52 to 131.

## **DIVIDENDS**

The Board does not recommend the payment of any final dividend for the Year (2022: Nil).

## **TRANSFER TO RESERVES**

Loss for the year attributable to owners of the Company of approximately RMB22,692,000 (2022: approximately RMB35,884,000) 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 2023 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 2023 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.

## Report of the directors

In accordance with article 84 of the Company's articles of association, Mr. Zou Chong, Mr. Su Fang Zhong, Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor 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 2023, 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 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 of the Company:

Directors	Number of ordinary 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 30 June 2023, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2023, 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.

## Report of the directors

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

As at 30 June 2023, 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:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Capital Research and Management Company	83,390,000	8.04% (Note 1)

Note:

1. As at 30 June 2023, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2023, 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 and 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	15.5%	
Five largest customers in aggregate	61.7%	
The largest supplier		37.2%
Five largest suppliers in aggregate		92.4%

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.

# Report of the directors

## **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 2023 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, 29 September 2023

# Independent auditor's report



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 131, which comprise the consolidated statement of financial position as at 30 June 2023, 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 a summary of significant accounting policies.

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 2023, 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 ("HKSA") 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.

## Independent auditor's report

### 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 judgement is required in determining the recoverable amounts of the corresponding cash-generating units.

As at 30 June 2023, net carrying amounts of property, plant and equipment amounted to RMB213,857,000, while right-of-use assets recognised in accordance with HKFRS 16 "Leases" with net carrying amounts of approximately RMB6,923,000.

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 value in use of the cash-generating units. The value in use calculation requires the Group to estimate the future cash inflows/outflows expected to arise from the cash-generating units 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.

Based on the management's assessment, no impairment provision on property, plant and equipment, and right-of-use assets was required for the year ended 30 June 2023.

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 cash-generating units 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;
- Challenging the discount rates used by the management in the cash flow forecasts by benchmarking against the required rate of return adjusted for industry specific factors;
- Assessing the sensitivity analysis prepared by the management 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 HKSAAs 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.

## Independent auditor's report

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

*(continued)*

As part of an audit in accordance with HKSAAs, 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

29 September 2023

**Chan Wing Fai**

*Practising Certificate Number P07327*

# Consolidated statement of profit or loss

For the year ended 30 June 2023

	Notes	2023 RMB' 000	2022 RMB' 000
<b>Revenue</b>	6	141,536	138,344
Cost of sales and services rendered		(106,542)	(105,903)
<b>Gross profit</b>		34,994	32,441
Other income	7	6,872	10,655
Other losses, net	7	(2,723)	(784)
Distribution expenses		(2,604)	(2,963)
Administrative expenses		(60,680)	(60,783)
Fair value gain/(loss) on investment properties	17	2,041	(3,792)
Reversal of write-down/(write-down) on inventories	19	634	(12,134)
(Impairment loss)/reversal of impairment loss on trade receivables recognised under expected credit loss model, net	27(b)	(268)	2,087
<b>Loss from operations</b>		(21,734)	(35,273)
Finance costs	8	(22)	(69)
<b>Loss before taxation</b>	9	(21,756)	(35,342)
Income tax expense	10(a)	(936)	(542)
<b>Loss for the year attributable to owners of the Company</b>		(22,692)	(35,884)
<b>Loss per share</b>	13		
— Basic and diluted (RMB cents per share)		(2.19)	(3.46)

The notes on pages 58 to 131 form part of these consolidated financial statements.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Notes	2023 RMB' 000	2022 RMB'000
<b>Loss for the year</b>		(22,692)	(35,884)
<b>Other comprehensive (expense)/income, net of tax</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation		72,779	22,343
Fair value change on financial assets at fair value through other comprehensive income ("FVTOCI")	10(c)	824	296
		73,603	22,639
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(70,316)	(21,687)
<b>Other comprehensive income for the year</b>		3,287	952
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		(19,405)	(34,932)

The notes on pages 58 to 131 form part of these consolidated financial statements.

# Consolidated statement of financial position

As at 30 June 2023

	Notes	2023 RMB' 000	2022 RMB' 000
<b>Non-current assets</b>			
Property, plant and equipment	15	213,857	237,047
Right-of-use assets	16	6,923	7,659
Investment properties	17	34,785	32,744
Deposits paid for the acquisition of property, plant and equipment		—	276
Financial assets at FVTOCI	18	5,370	4,401
Deferred tax assets	24	12,442	12,882
		<b>273,377</b>	<b>295,009</b>
<b>Current assets</b>			
Inventories	19	21,265	20,367
Trade and other receivables	20	74,839	72,632
Bank balances and cash	21	1,444,580	1,433,668
		<b>1,540,684</b>	<b>1,526,667</b>
<b>Current liabilities</b>			
Trade and other payables	22	73,921	62,227
Lease liabilities	23	174	545
Provision for warranties	25	550	559
		<b>74,645</b>	<b>63,331</b>
<b>Net current assets</b>		<b>1,466,039</b>	<b>1,463,336</b>
<b>Total assets less current liabilities</b>		<b>1,739,416</b>	<b>1,758,345</b>

## Consolidated statement of financial position

As at 30 June 2023

	Notes	2023 RMB' 000	2022 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	23	—	165
Deferred tax liabilities	24	18,824	18,183
		18,824	18,348
<b>NET ASSETS</b>			
		1,720,592	1,739,997
<b>CAPITAL AND RESERVES</b>			
Share capital	26(b)	91,360	91,360
Reserves		1,629,232	1,648,637
<b>TOTAL EQUITY</b>			
		1,720,592	1,739,997

The notes on pages 58 to 131 form part of these consolidated financial statements.

The consolidated financial statements on pages 52 to 131 were approved and authorised for issue by the board of directors on 29 September 2023 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 2023

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000 (Note 26(c)(i))	Share premium RMB'000 (Note 26(c)(ii))	Surplus reserve RMB'000 (Note 26(c)(iii))	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)(vii))	Retained profits RMB'000	
Balance at 1 July 2021	91,360	941,077	181,790	2,982	2,986	(3,005)	(22,321)	580,060	1,774,929
<i>Changes in equity for the year ended</i>									
<i>30 June 2022:</i>									
Loss for the year	—	—	—	—	—	—	—	(35,884)	(35,884)
Exchange differences arising on translation	—	—	—	—	—	—	656	—	656
Fair value change on financial assets at FVTOCI	—	—	—	—	—	296	—	—	296
Total comprehensive income/(expense) for the year	—	—	—	—	—	296	656	(35,884)	(34,932)
Balance at 30 June 2022 and 1 July 2022	91,360	941,077	181,790	2,982	2,986	(2,709)	(21,665)	544,176	1,739,997
<i>Changes in equity for the year ended</i>									
<i>30 June 2023:</i>									
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	—	—	—	—	—	824	—	—	824
Total comprehensive income/(expenses) for the year	—	—	—	—	—	824	2,463	(22,692)	(19,405)
Balance at 30 June 2023	91,360	941,077	181,790	2,982	2,986	(1,885)	(19,202)	521,484	1,720,592

The notes on pages 58 to 131 form part of these consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	2023 RMB' 000	2022 RMB'000
<b>Operating activities</b>			
Cash generated from operations	21	1,475	10,450
Income taxes paid		—	—
<b>Net cash generated from operating activities</b>		<b>1,475</b>	<b>10,450</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(237)	(332)
Proceeds from disposal of property, plant and equipment		—	2,083
Interest received		3,789	4,282
<b>Net cash generated from investing activities</b>		<b>3,552</b>	<b>6,033</b>
<b>Financing activities</b>			
Capital element of lease liabilities paid	21	(572)	(866)
Interest element of lease liabilities paid	21	(22)	(69)
Advances from a related party	21	6,479	—
<b>Net cash generated from/(used in) financing activities</b>		<b>5,885</b>	<b>(935)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,912</b>	<b>15,548</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,433,668</b>	<b>1,418,120</b>
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	21	<b>1,444,580</b>	<b>1,433,668</b>

The notes on pages 58 to 131 form part of these consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 dollars (“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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements.

Amendments to HKFR 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS 2018–2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current period 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 2. APPLICATION OF 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 in these consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules <sup>4</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>4</sup> Immediately effective for the disclosure of the use of mandatory temporary exception (from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes) upon issuance of the amendments and retrospectively. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

## 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with HKFRS 16 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out in note 4 below.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Basis of consolidation** *(continued)*

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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### **Changes in the Group's interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "*Financial Instruments*" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Business combinations or asset acquisitions**

#### ***Optional concentration test***

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### ***Asset acquisitions***

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### ***Business combination***

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 July 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combinations or asset acquisitions *(continued)*

#### Business combination *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “*Income Taxes*” and HKAS 19 “*Employee Benefits*” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “*Share-based Payment*” at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “*Non-current Assets Held for Sale and Discontinued Operations*” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Business combinations or asset acquisitions** *(continued)*

#### **Business combination** *(continued)*

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### **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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue from contracts with customers *(continued)*

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.

### *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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### *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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### *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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### *The Group as lessee (continued)*

##### *Lease liabilities (continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### *The Group as lessee (continued)*

#### *Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis of determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform, if and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the appropriate requirements in HKFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

#### *Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the 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.

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *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.

##### *Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### *The Group as a lessor (continued)*

##### *Lease modification (continued)*

##### Operating lease

The Group accounts for a modification to an operating lease as new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

##### *Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

### 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currencies *(continued)*

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 (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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.

#### *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 the tax currently payable and deferred tax.

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. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Depreciation is recognised so as to write off the cost of assets less their residual values 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 also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease between as a finance lease. 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.

### 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.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment on 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 to sell 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.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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).

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Contingent assets/liabilities

#### *Contingent assets*

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

#### *Contingent liabilities*

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is required in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

### 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. 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.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### 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.

Financial assets 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.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### **Financial assets** *(continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

##### (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.

##### *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.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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

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.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### **Financial assets** *(continued)*

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

#### (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.

#### (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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(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

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.

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 receivables, where the corresponding adjustment is recognised through a loss allowance account.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### **Financial assets** *(continued)*

##### *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.

#### **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, lease liabilities and provision for warranties are subsequently measured at amortised cost, using the effective interest method.

##### *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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

### **Financial liabilities and equity** *(continued)*

#### *Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

## 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.

### **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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

*(continued)*

### Critical judgement in applying accounting policies *(continued)*

#### **(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) Provision for warranty**

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 than the estimation, a future credit to profit or loss will result. As at 30 June 2023, the carrying amount of the Group's provision for warranties is approximately RMB550,000 (2022: RMB559,000).

#### **(b) 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 2023, the carrying amount of the Group's inventories is approximately RMB21,265,000 (2022: RMB20,367,000).

#### **(c) Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

*(continued)*

### Key sources of estimation uncertainty *(continued)*

#### **(d) 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 2023, the fair value of the Group's investment properties is approximately RMB34,785,000 (2022: RMB32,744,000).

#### **(e) 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 credit risk of the Group and counterparties, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. As at 30 June 2023, the fair value of the Group's financial assets at FVTOCI is approximately RMB5,370,000 (2022: RMB4,401,000).

#### **(f) 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 ECL and the Group's trade receivables are disclosed in notes 27(b) and 20 to the consolidated financial statements, respectively.

#### **(g) Impairment assessment of non-current assets**

In considering the impairment losses that may be required for certain of the Group's non-current 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 judgements. 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(continued)

### Key sources of estimation uncertainty (continued)

#### (h) Deferred tax asset

As at 30 June 2023, deferred tax assets of approximately RMB12,442,000 (2022: RMB12,882,000) were recognised. 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 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 2023 and 2022 is as follows:

Types of goods	Segments	2023 RMB' 000	2022 RMB'000
Sales of automation instrument and technology products	Automation instrument and technology products	137,434	131,763
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	3,511	3,005
Sales of horological instruments	Horological instruments	591	3,576
Goods and services		141,536	138,344

During the years ended 30 June 2023 and 2022, all the revenue from contracts with customers is recognised at a point in time and were arisen in the PRC.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 7. OTHER INCOME AND OTHER LOSSES, NET

	2023 RMB'000	2022 RMB'000
<b>Other income</b>		
Bank interest income	3,789	4,282
Government grants (note)	402	2,801
Rental income	1,268	2,413
Service income	1,215	1,082
Reversal of provision/(provision) for warranties (Note 25)	9	(132)
Gain on lease modification	—	209
Sundry income	189	—
	<b>6,872</b>	<b>10,655</b>
<b>Other losses, net</b>		
Loss on disposal of property, plant and equipment, net	—	(25)
Net foreign exchange losses	(2,723)	(759)
	<b>(2,723)</b>	<b>(784)</b>

Note: Government grant of approximately RMB35,000 (2022: RMB66,000) 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 is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Government grants of approximately RMB367,000 (2022: RMB2,735,000) represent unconditional incentives and subsidies granted to the PRC subsidiary by the local authorities.

## 8. FINANCE COSTS

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	22	69

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 9. LOSS BEFORE TAXATION

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

	2023 RMB' 000	2022 RMB' 000
<b>(a) Staff costs, excluding directors' remuneration</b>		
Contributions to defined contribution retirement plans	1,960	1,684
Salaries, wages and other benefits	35,752	36,592
	<b>37,712</b>	<b>38,276</b>

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 2023 (2022: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the reporting period (2022: 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 9. LOSS BEFORE TAXATION (continued)

	2023 RMB'000	2022 RMB'000
<b>(b) Other items</b>		
Depreciation of property, plant and equipment	23,703	23,986
Depreciation of right-of-use assets	769	1,017
Research and development costs recognised as expense (note 1)	11,958	8,396
Auditor's remuneration		
— Audit services	1,924	1,761
— Non-audit services	27	58
Lease payments not included in the measurement of lease liabilities (Note 16)	478	564
Cost of sales and services rendered (note 2)	106,542	105,903
Gross rental income from investment properties	(1,483)	(2,766)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	215	353
(Reversal of write-down)/write-down on inventories	(634)	12,134

Notes:

- Staff costs of approximately RMB2,718,000 (2022: RMB3,054,000) was included in "research and development costs".
- Staff costs and depreciation of property, plant and equipment of approximately RMB12,351,000 (2022: RMB12,676,000) and RMB16,973,000 (2022: RMB16,513,000) were included in "cost of sales and services rendered".

## 10. INCOME TAX EXPENSE

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

	2023 RMB'000	2022 RMB'000
Current tax — the PRC		
Provision for the year	—	—
Deferred tax (Note 24)	936	542
	936	542

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%.

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 10. INCOME TAX EXPENSE (continued)

(a) (continued)

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 2023 and 2022.

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 expense and loss before taxation at applicable tax rates:

	2023 RMB' 000	2022 RMB'000
Loss before taxation	(21,756)	(35,342)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(3,297)	(5,650)
Tax effect of income that is not taxable	(24)	(286)
Tax effect of expenses that are not deductible	2,182	1,756
Tax effect of estimated tax losses not recognised	2,075	4,722
Actual income tax expense	936	542

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

	2023			2022		
	Before tax amount RMB' 000 (Note 18)	Tax expense RMB' 000 (Note 24)	Net of tax amount RMB' 000	Before 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	969	(145)	824	349	(53)	296

# Notes to the consolidated financial statements

For the year ended 30 June 2023

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

	For the year ended 30 June 2022			Total RMB'000
	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	
<b>Executive directors</b>				
Mr. Wong Fun Chung ( <i>Chief executive</i> )	—	1,026	—	1,026
Mr. Zou Chong	—	463	4	467
Mr. Su Fang Zhong	—	457	—	457
Mr. Cheung Chuen	—	753	15	768
<b>Independent non-executive directors</b>				
Dr. Hu Guo Qing	99	—	—	99
Ms. Ji Qin Zhi	99	—	—	99
Mr. Chan Yuk Hiu, Taylor	99	—	—	99
<b>Total</b>	<b>297</b>	<b>2,699</b>	<b>19</b>	<b>3,015</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2023

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

The executive directors' emoluments shown above 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 (2022: four) are directors of the Company whose emoluments are disclosed in note 11 above. The aggregate of the emoluments in respect of the remaining one (2022: one) individual for the year ended 30 June 2023 are as follows:

	2023 RMB' 000	2022 RMB' 000
Contributions to retirement benefit scheme	16	15
Salaries and other emoluments	426	397
Discretionary bonus	141	33
	583	445

The above emoluments of RMB583,000 (2022: RMB445,000) were paid to Mr. Wong Shek ("Mr. Wong"), the son of Mr. Wong Fun Chung, who is the executive director and chief executive of the Company, during the year ended 30 June 2023.

The emoluments of the remaining one (2022: one) individual with the highest emoluments were within the following band:

	2023 Number of employee	2022 Number of employee
Less than HK\$1,000,000	1	1

For the years ended 30 June 2023 and 2022, 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 RMB22,692,000 (2022: RMB35,884,000) and the weighted average number of 1,037,500,000 ordinary shares (2022: 1,037,500,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

For the years ended 30 June 2023 and 2022, 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 purposes of monitoring segment performances and allocating resources between segment:

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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 14. SEGMENT REPORTING (continued)

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

#### 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)

#### For the year ended 30 June 2022

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment revenue	134,768	3,576	138,344
Reportable segment loss	(10,949)	(21,197)	(32,146)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2022: Nil).

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### 14. SEGMENT REPORTING *(continued)*

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

##### 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

##### As at 30 June 2022

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Total RMB'000
Reportable segment assets	295,452	7,610	303,062
Reportable segment liabilities	22,058	60	22,118

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 14. SEGMENT REPORTING (continued)

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

	2023 RMB' 000	2022 RMB' 000
<b>Revenue</b>		
Reportable segment revenue	141,536	138,344
Revenue	141,536	138,344
	2023 RMB' 000	2022 RMB' 000
<b>Profit or loss</b>		
Reportable segment loss	(18,702)	(32,146)
Bank interest income	3,789	4,282
Fair value gain/(loss) on investment properties	2,041	(3,792)
Unallocated finance cost	(22)	(39)
Unallocated head office and corporate income	3,074	6,338
Unallocated head office and corporate expenses	(11,936)	(9,985)
Loss before taxation	(21,756)	(35,342)
Income tax expense	(936)	(542)
Loss for the year	(22,692)	(35,884)
	2023 RMB' 000	2022 RMB' 000
<b>Assets</b>		
Reportable segment assets	283,962	303,062
Unallocated head office and corporate assets		
— Investment properties	34,785	32,744
— Financial assets at FVTOCI	5,370	4,401
— Deferred tax assets	12,442	12,882
— Bank and cash balances	1,444,580	1,433,668
— Other corporate assets	32,922	34,919
	1,530,099	1,518,614
Consolidated total assets	1,814,061	1,821,676

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 14. SEGMENT REPORTING *(continued)*

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

	2023 RMB' 000	2022 RMB'000
<b>Liabilities</b>		
Reportable segment liabilities	29,009	22,118
Unallocated head office and corporate liabilities		
— Deferred tax liabilities	18,824	18,183
— Other corporate liabilities		
— Amount due to a related party	6,479	—
— Other payables and accruals	39,157	41,738
	45,636	41,378
	64,460	59,561
Consolidated total liabilities	93,469	81,679

### (c) Segment information

#### *Other entity-wide segment information*

For the year ended 30 June 2023

	Automation instrument and technology products RMB' 000	Horological instruments RMB' 000	Unallocated RMB' 000	Total RMB' 000
<i>Amounts included in the measure of segment result or segment assets:</i>				
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 expected credit loss model, net	293	(25)	—	268
Reversal of write-down on inventories	—	(634)	—	(634)
Finance cost	—	—	22	22
Loss on disposal of property, plant and equipment	—	—	—	—

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 14. SEGMENT REPORTING (continued)

### (c) Segment information (continued)

#### Other entity-wide segment information (continued)

For the year ended 30 June 2022

	Automation instrument and technology products RMB'000	Horological instruments RMB'000	Unallocated RMB'000	Total RMB'000
<i>Amounts included in the measure of segment result or segment assets:</i>				
Depreciation of property, plant and equipment	20,038	1,663	2,285	23,986
Depreciation of right-of-use assets	86	259	672	1,017
Addition to non-current assets	332	—	1,041	1,373
(Reversal of impairment loss)/ impairment loss on trade receivables recognised under expected credit loss model, net	(2,117)	30	—	(2,087)
Write-down on inventories	—	12,134	—	12,134
Finance cost	7	23	39	69
Loss/(gain) on disposal of property, plant and equipment, net	474	(464)	15	25

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 14. SEGMENT REPORTING (continued)

### (d) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, investment properties, and deposits paid for the acquisition of property, plant and equipment ("Specified Non-Current Assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical locations of the Specified Non-Current Assets are based on the physical location of the assets in the case of property, plant and equipment, investment properties and deposits paid for acquisition of property, plant and equipment, and the location of the operation in the case of right-of-use assets.

	Revenues from external customers		Specified Non-Current Assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Hong Kong (place of domicile)	—	—	165	692
PRC, excluding Hong Kong	141,501	138,314	255,400	277,034
Others	35	30	—	—
	<b>141,536</b>	<b>138,344</b>	<b>255,565</b>	<b>277,726</b>

### (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:

	2023 RMB'000	2022 RMB'000
<b>Automation instrument and technology products segment</b>		
Customer A	20,814	20,365
Customer B	21,930	19,990
Customer C	N/A*	14,352
Customer D	N/A*	14,134
Customer E	15,181	14,083
Customer F	14,723	N/A*
Customer G	14,701	N/A*

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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machineries	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>						
At 1 July 2021	335,499	408,271	22,804	2,106	11,721	780,401
Additions	332	—	—	—	—	332
Disposals	(18,572)	—	—	(147)	—	(18,719)
Exchange adjustment	—	—	6	—	37	43
At 30 June 2022	317,259	408,271	22,810	1,959	11,758	762,057
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
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>						
At 1 July 2021	293,834	188,641	22,804	1,767	10,546	517,592
Charge for the year	7,858	15,986	—	19	123	23,986
Disposals	(16,479)	—	—	(132)	—	(16,611)
Exchange adjustment	—	—	6	—	37	43
At 30 June 2022	285,213	204,627	22,810	1,654	10,706	525,010
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
<b>CARRYING VALUES</b>						
At 30 June 2023	25,931	186,539	—	289	1,098	213,857
At 30 June 2022	32,046	203,644	—	305	1,052	237,047

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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

## 16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Leasehold land RMB'000	Total RMB'000
<b>As at 30 June 2023</b>			
Carrying value	163	6,760	6,923
<b>As at 30 June 2022</b>			
Carrying value	688	6,971	7,659
<b>For the year ended 30 June 2023</b>			
Depreciation charge	558	211	769
<b>For the year ended 30 June 2022</b>			
Depreciation charge	806	211	1,017

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 (2022: 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.

During the year ended 30 June 2023, there was no addition to right-of-use assets resulting from new lease entered (2022: RMB1,041,000).

# Notes to the consolidated financial statements

For the year ended 30 June 2023

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

The analysis of expenses items in relation to leases recognised in profit or loss is as follows:

	2023 RMB' 000	2022 RMB' 000
Depreciation charge of right-of-use assets by class of underlying asset		
— Properties leased for own use	558	806
— Interests in leasehold land held for own use	211	211
	769	1,017
Expenses relating to short-term leases	462	549
Expenses relating to leases of low-value of assets, excluding short-term leases of low-value assets	16	15
	478	564
Total cash outflow for leases (note)	1,072	1,499

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	2023 RMB' 000	2022 RMB' 000
At 1 July	32,744	36,536
Increase/(decrease) in fair value recognised in the consolidated statement of profit or loss	2,041	(3,792)
At 30 June	34,785	32,744

The Group leases out various office premises and car-parking spaces located in Fuzhou, Fujian Province, the PRC, under operating leases with rentals receivables monthly. The leases typically run for an initial period of 1 year (2022: 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.

The fair values of the Group's investment properties at 30 June 2023 and 2022 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 17. INVESTMENT PROPERTIES *(continued)*

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 2023	RMB34,785,000 (2022: RMB32,744,000)	Level 3	Direct comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office and carpark	Office: RMB16,320 to RMB19,030 (2022: RMB15,160 to RMB17,610) per square meter  Carpark: RMB309,300 to RMB340,670 (2022: RMB296,900 to RMB337,600) 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

	2023 RMB' 000	2022 RMB'000
Unlisted equity investments:		
At 1 July	4,401	4,052
Fair value changes (Note 10(c))	969	349
At 30 June	5,370	4,401

Included in other comprehensive income is an amount of gain of approximately RMB969,000 (2022: RMB349,000) 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 19. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2023 RMB' 000	2022 RMB' 000
Raw materials	16,406	15,254
Work in progress	2,238	2,283
Finished goods	2,621	2,830
	<b>21,265</b>	<b>20,367</b>

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

	2023 RMB' 000	2022 RMB' 000
Cost of inventories sold (Note 9(b))	106,542	105,903
(Reversal of write-down)/write-down on inventories	(634)	12,134
	<b>105,908</b>	<b>118,037</b>

## 20. TRADE AND OTHER RECEIVABLES

	2023 RMB' 000	2022 RMB' 000
Trade receivables from contracts with customers	78,736	76,343
Less: allowance for credit loss (Note 27(b))	(6,388)	(6,120)
	<b>72,348</b>	<b>70,223</b>
Prepayments, deposits and other receivables	2,491	2,409
	<b>74,839</b>	<b>72,632</b>

As at 1 July 2021, trade receivables from contracts with customers net of allowance for credit losses amounted to RMB75,240,000.

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.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### 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:

	2023 RMB'000	2022 RMB'000
0-60 days	26,278	27,701
61-120 days	24,185	22,819
121-180 days	21,885	19,703
	<b>72,348</b>	<b>70,223</b>

As at 30 June 2023, the Group's trade receivables balance of approximately RMB5,775,000 (2022: RMB5,528,000) were past due and impairment loss of approximately RMB5,775,000 (2022: RMB5,528,000) 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 2023 and 2022 are set out in note 27(b) to the consolidated financial statements.

### 21. BANK BALANCES AND CASH

Bank balances and cash comprise:

	2023 RMB'000	2022 RMB'000
Cash at banks	1,444,560	1,433,648
Cash on hand	20	20
	<b>1,444,580</b>	<b>1,433,668</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 21. BANK BALANCES AND CASH (continued)

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

As at 30 June 2023 and 2022, 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 2023 are bank balances amounting to approximately RMB15,000 (2022: RMB242,000) which are denominated in currencies other than the functional currencies of the respective group entities.

As at 30 June 2023, the balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to approximately RMB1,444,391,000 (2022: RMB1,433,198,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

### Reconciliation of loss before taxation to cash generated from operations:

	2023 RMB' 000	2022 RMB' 000
<b>Loss before taxation</b>	<b>(21,756)</b>	<b>(35,342)</b>
Adjustments for:		
— Depreciation of property, plant and equipment	23,703	23,986
— Depreciation of right-of-use assets	769	1,017
— Bank interest income	(3,789)	(4,282)
— Fair value (gain)/loss on investment properties	(2,041)	3,792
— Unrealised foreign exchange losses	2,466	655
— Loss on disposal of property, plant and equipment, net	—	25
— (Reversal of write-down)/write-down on inventories	(634)	12,134
— Impairment loss/(reversal of impairment loss) on trade receivables recognised under expected credit loss model, net	268	(2,087)
— (Reversal of provision)/provision for warranties	(9)	132
— Interest on lease liabilities	22	69
— Gain on lease modification	—	(209)
<b>Operating loss before changes in working capital</b>	<b>(1,001)</b>	<b>(110)</b>
(Increase)/decrease in inventories	(264)	5,954
(Increase)/decrease in trade and other receivables	(2,475)	6,503
Increase/(decrease) in trade and other payables	5,215	(1,897)
<b>Cash generated from operations</b>	<b>1,475</b>	<b>10,450</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 (Note 23)	
	2023 RMB' 000	2022 RMB'000
At 1 July	710	1,584
<i>Changes from financing cash flows:</i>		
Capital element of lease liabilities paid	(572)	(866)
Interest element of lease liabilities paid	(22)	(69)
Total changes from financing cash flows	(594)	(935)
<i>Other changes:</i>		
Addition of right-of-use assets	—	1,041
Modification of lease	—	(1,071)
Exchange adjustment	36	22
Interest expenses (Note 8)	22	69
At 30 June	174	710

	Amount due to a related party (included in trade and other payables (Note 22))	
	2023 RMB' 000	2022 RMB'000
At 1 July	—	—
<i>Changes from financing cash flows:</i>		
Advances from a related party	6,479	—
Total changes from financing cash flows	6,479	—
At 30 June	6,479	—

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 22. TRADE AND OTHER PAYABLES

	2023 RMB' 000	2022 RMB'000
Trade payables	26,344	19,579
Other payables and accruals	41,098	42,648
Amount due to a related party (note)	6,479	—
	<b>73,921</b>	<b>62,227</b>

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.

	2023 RMB' 000	2022 RMB'000
0–30 days	14,853	9,055
31–90 days	10,855	9,800
91–180 days	31	61
Over 180 days	605	663
	<b>26,344</b>	<b>19,579</b>

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

## 23. LEASE LIABILITIES

	2023 RMB' 000	2022 RMB'000
<i>Lease liabilities payable:</i>		
Within 1 year shown under current liabilities	174	545
Within a period of more than 1 year but not more than 2 years shown under non-current liabilities	—	165
	<b>174</b>	<b>710</b>

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2022: 4.75%).

Details of maturity of lease liabilities are set out in note 27(b) to the consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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
<i>Deferred tax arising from:</i>					
At 1 July 2021	13,117	593	(791)	(17,625)	(4,706)
(Charged)/credited to profit or loss (Note 10(a))	(775)	—	233	—	(542)
Charged to reserve (Note 10(c))	—	(53)	—	—	(53)
At 30 June 2022	12,342	540	(558)	(17,625)	(5,301)
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 reserve (Note 10(c))	—	(145)	—	—	(145)
At 30 June 2023	12,047	395	(1,199)	(17,625)	(6,382)
				<b>2023</b>	2022
				<b>RMB' 000</b>	RMB'000
<i>Recognised in the consolidated statement of financial position:</i>					
Deferred tax assets				12,442	12,882
Deferred tax liabilities				(18,824)	(18,183)
				<b>(6,382)</b>	<b>(5,301)</b>

At 30 June 2023, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to approximately RMB802,978,000 (2022: RMB822,611,000). Deferred tax liabilities of approximately RMB22,524,000 (2022: RMB23,506,000) 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

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

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

	2023 RMB' 000	2022 RMB' 000
2022	—	73,474
2023	30,927	30,927
2024	10,669	10,669
2025	29,527	29,527
2026	28,104	28,104
2027	24,200	—
	123,427	172,701

As at 30 June 2023, the Group has unused tax losses of approximately RMB123,427,000 (2022: RMB172,701,000) 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

	2023 RMB' 000	2022 RMB' 000
At 1 July	559	427
Provision (reversed)/recognised (Note 7)	(9)	132
At 30 June	550	559

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 2023 and 2022, 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 2023 and 2022.

	Number of ordinary shares	Nominal value of shares ordinary	
	'000	HK\$'000	Equivalent to RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.1 each at 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	10,000,000	1,000,000	880,500
<b>Ordinary shares issued and fully paid:</b>			
Ordinary shares of HK\$0.1 each at 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	1,037,500	103,750	91,360

Note: As at 30 June 2023 and 2022, 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 2023, 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 RMB806,410,000 (2022: RMB815,107,000). After the end of the reporting period, the directors did not propose a dividend (2022: 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 lease liabilities disclosed in note 23 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 27. FINANCIAL INSTRUMENTS

### (a) Category of financial instruments

	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Financial assets at FVTOCI	5,370	4,401
Amortised costs		
— Trade and other receivables	72,945	70,807
— Bank balances and cash	1,444,580	1,433,668
	1,517,525	1,504,475
<b>Financial liabilities</b>		
Amortised costs		
— Trade and other payables	72,049	60,247
— Lease liabilities	174	710
	72,223	60,957

### (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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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:

	2023		2022	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
<i>Variable rate instruments:</i>				
Cash at banks	0%–0.75%	1,444,478	0%–0.5%	1,433,583

#### *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 (2022: 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 RMB12,278,000 (2022: RMB12,186,000).

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 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:

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

  

	2022	
	HK\$ RMB'000	US\$ RMB'000
Bank balances and cash	—	242
Trade and other payables	(2,476)	(2,024)
Overall exposure	(2,476)	(1,782)

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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.

	2023 RMB'000	2022 RMB'000
<b>Loss for the year</b>		
RMB against HK\$	121	105
RMB against US\$	85	40

##### 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 (2022: 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 99.99% (2022: 99.95%) 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 2023, approximately 18% (2022: 16%) and approximately 70% (2022: 63%) 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 balances. 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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:

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables</b>	<b>Other financial assets</b>
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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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	
					2023 RMB' 000	2022 RMB'000
<b>Financial assets at amortised cost</b>						
Trade receivables from contracts with customers	20	N/A	Note 1	Lifetime ECL (not credit-impaired)	78,736	76,343
Other receivables	20	N/A	Note 2	12-month ECL	597	583
Bank balances	21	Baa2 or above (2022: Baa2 or above)	Note 3	12-month ECL	1,444,560	1,433,648

Notes:

- 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 2023 within lifetime ECL (not credit-impaired).

#### For the year ended 30 June 2023

##### Gross carrying amount

	Average loss rate	Trade receivables 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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 27. FINANCIAL INSTRUMENTS *(continued)*

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

#### **Credit risk and impairment assessment** *(continued)*

Notes: *(continued)*

1. *(continued)*

**For the year ended 30 June 2022**

#### **Gross carrying amount**

	<b>Average loss rate</b>	<b>Trade receivables</b> RMB'000
Current (not past due)	0.83%	70,815
1–30 days past due	100%	2
31–90 days past due	—	—
More than 90 days past due	100%	5,526
		<b>76,343</b>

During the year ended 30 June 2023, the Group provided RMB268,000 (2022: reversed RMB2,087,000) impairment allowance for trade receivables, 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 GDP, 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 (2022: Baa2) assigned by an international credit rating agency or state owned.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 under simplified approach:

	<b>Lifetime ECL (not credit- impaired)</b> RMB'000
As at 1 July 2021	8,207
Impairment losses recognised	30
Impairment losses reversed	(2,117)
	(2,087)
As at 30 June 2022 and 1 July 2022	6,120
Impairment losses recognised	471
Impairment losses reversed	(203)
	268
<b>As at 30 June 2023</b>	<b>6,388</b>

The origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately RMB268,000 (2022: a decrease in loss allowance of approximately RMB2,087,000).

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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
<b>As at 30 June 2023</b>					
Trade and other payables	—	72,049	—	72,049	72,049
Lease liabilities	4.75%	176	—	176	174
		72,225	—	72,225	72,223
	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
<b>As at 30 June 2022</b>					
Trade and other payables	—	60,247	—	60,247	60,247
Lease liabilities	4.75%	572	162	734	710
		60,819	162	60,981	60,957

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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
	2023 RMB'000	2022 RMB'000				
Unlisted equity instruments	5,370	4,401	Level 3	Market approach: enterprise value to revenue ratio (2022: market approach: enterprise value to revenue ratio)	Discount for lack of marketability of 25% (2022: 25%)	Inversely proportion (2022: inversely 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 2023 would decrease/increase by approximately RMB358,000 (2022: decrease/increase by approximately RMB294,000) as a result of the change in fair value of financial assets at FVTOCI.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 27. FINANCIAL INSTRUMENTS *(continued)*

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

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2023 and 2022.

#### ***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 2022, 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:

	2023 RMB' 000	2022 RMB'000
Within 1 year	—	1,940

## 29. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group has no other material 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:

	2023 RMB' 000	2022 RMB'000
Short-term employee benefits	3,371	3,234
Contribution to retirement benefit scheme	19	19
	3,390	3,253

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

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 30. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	Notes	2023 RMB' 000	2022 RMB'000
<b>Non-current assets</b>			
Interests in subsidiaries	30(a)	936,092	870,848
<b>Current assets</b>			
Bank balances and cash		82	114
<b>Current liabilities</b>			
Other payables and accruals		3,008	1,878
<b>Net current liabilities</b>			
		(2,926)	(1,764)
<b>NET ASSETS</b>			
		933,166	869,084
<b>CAPITAL AND RESERVES</b>			
Share capital	30(c)	91,360	91,360
Reserves		841,806	777,724
<b>TOTAL EQUITY</b>			
		933,166	869,084

### (a) Interests in subsidiaries

	2023 RMB' 000	2022 RMB'000
Unlisted equities, at cost	342	342
Amounts due from subsidiaries	935,750	870,506
	936,092	870,848

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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 2023 and 2022 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
				2023	2022	2023		2022		
						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.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## 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 2021	91,360	941,077	(59,726)	(104,488)	868,223
<i>Change in equity for the year ended 30 June 2022:</i>					
Loss for the year	—	—	—	(21,482)	(21,482)
Exchange difference arising on translation	—	—	22,343	—	22,343
Total comprehensive income/ (expense)	—	—	22,343	(21,482)	861
Balance at 30 June 2022	91,360	941,077	(37,383)	(125,970)	869,084
Balance at 1 July 2022	91,360	941,077	(37,383)	(125,970)	869,084
<i>Change in equity for the year ended 30 June 2023:</i>					
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

# Financial summary

## RESULTS

	For the year ended 30 June				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	132,223	99,206	128,079	138,344	141,536
Loss before taxation	(48,003)	(96,525)	(27,144)	(35,342)	(21,756)
Income tax credit/(expense)	521	8,585	1,244	(542)	(936)
Loss attributable to owners of the Company	(47,482)	(87,940)	(25,900)	(35,884)	(22,692)

## ASSETS AND LIABILITIES

	As at 30 June				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets	429,291	356,206	325,857	295,009	273,377
Current assets	1,544,821	1,528,446	1,533,623	1,526,667	1,540,684
Current liabilities	(61,421)	(57,170)	(65,592)	(63,331)	74,645
Net current assets	1,483,400	1,471,276	1,468,031	1,463,336	1,466,039
Total assets less current liabilities	1,912,691	1,827,482	1,793,888	1,758,345	1,739,416
Non-current liabilities	(18,335)	(19,764)	(18,959)	(18,348)	(18,824)
Total equity	1,894,356	1,807,718	1,774,929	1,739,997	1,720,592