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

2019/2020

Contents

Financial highlights

	2020 RMB'000	2019 RMB'000	Increase/ (decrease) %
Turnover	99,206	132,223	(25.0)
Loss from operations	96,325	48,003	100.7
Loss attributable to equity shareholders of the Company	87,940	47,482	85.2
Loss per share (RMB cents)			
— basic	RMB8.48 cents	RMB4.58 cents	85.2
— diluted	RMB8.48 cents	RMB4.58 cents	85.2
Shareholders' equity	1,807,718	1,894,356	(4.6)

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.net

AUDITOR

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

LEGAL ADVISERS

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

As to PRC Laws
Beijing Jinwo Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

591

Chairman's statement

On behalf of the board of directors of China High Precision Automation Group Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2020.

For the year ended 30 June 2020, the Group recorded a turnover of approximately RMB99,206,000, a decrease of approximately 25.0% as compared to that of last year. Gross loss was approximately RMB5,742,000 as compared to the gross profit of last year of RMB3,997,000. Net assets were approximately RMB1,807,781,000, a decrease of approximately 4.6% as compared to that of last year.

During the reporting period, the principal business of the Company continued to be the research, development, manufacture and sales of automation instruments. Major products of the Group are installed in the production equipment of industrial enterprises on site and are the primary means and measures for automatic measurement and control in the course of production. Given the slowing investment growth in the traditional industrial sphere and the COVID-19 outbreak since early 2020, these headwinds created a challenging business environment and sales of the products of the Group were adversely affected to a certain extent.

Through continuing efforts, the Company continues to be a leading enterprise in industrial automation instruments in China. The manufacturing of devices for industrial automation control systems is a typical technology-intensive industry which involves a wide variety of products, a broad range of technologies, and relatively complex production processes. Throughout the years, the Company has competed on the international stage with advanced enterprises from developed countries and regions in the high-end product segment. The Group insists on building and strengthening the enterprise with technologies and talents, constantly increases investment in research, development and innovation, and promotes the upgrading of leading products to continue to improve its technical capabilities and competitiveness. Going forward, riding on its dedicated workforce and well-developed key technologies, the Group will continue in these directions to promote industry development, and generate and preserve value for all shareholders.

Wong Fun Chung
Chairman

Hong Kong, 28 September 2020

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 2020 (the "Year").

MARKET AND BUSINESS REVIEW

The Group primarily engages in the research, development, manufacture and sales of automation instruments, and downstream customers mainly operated in traditional industries. During the Year and at present, the struggling global economy under the shadow of the COVID-19 pandemic, the slowing economic growth and industrial growth in the People's Republic of China (the "PRC"), and delayed resumption of work nationwide all deal a blow to the Group's normal operation. Meanwhile, downstream demand remains sluggish, which put considerable pressure on the Group's market development.

During the Year, in the face of the gruelling test of the COVID-19 outbreak on a global scale and the complex and ever-changing macro-environment, the Group deployed its resources scientifically, promoted pandemic prevention and control, resumed work and production after Lunar New Year holiday. At the same time, the Group insisted on focusing on its main business, strengthened innovation leadership, encouraged the continuous improvement in technological standard and manufacturing quality of key products featuring high level of precision, stability, reliability and adaptability, implemented multiple measures to expand the market, and improved quality and efficiency to promote development.

There were no important events affecting the Group which have occurred since the end of the Year.

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB93,042,000 (2019: approximately RMB130,125,000), representing approximately 93.8% (2019: approximately 98.4%) 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 RMB56,963,000, as compared to that of approximately RMB31,139,000 in 2019.

Horological instruments

Sales of horological instruments were approximately RMB6,164,000 (2019: approximately RMB2,098,000), which accounts for approximately 6.2% (2019: approximately 1.6%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB26,943,000, as compared to that of approximately RMB10,697,000 in 2019.

MANUFACTURING FACILITIES

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

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

PROSPECTS

The Group's industrial automation products belong to an important branch of the instrument industry, spanning the fields of equipment manufacturing and electronic information with extensive applications in the pillar industries of the national economy, including petrochemical, metallurgy, electric power, and light industrial building materials. With the economic and social development and the improvement of people's livelihood, applications continue to expand into the fields including municipal utilities and environmental protection, clean energy, medicine, new materials, and food.

Meanwhile, the shift to high-quality, environmentally-friendly, digital, and intelligent products has become the obvious path to be taken by the manufacturing industry for transformation and upgrade in China, ushering in huge potential for the manufacturing of devices for industrial automation control systems. The COVID-19 outbreak in 2020 may substantially accelerate the transformation and upgrade of the manufacturing industry in China. In addition, structural changes to the global industry chain hint at faster localisation of downstream industrial automation products, offering plenty of opportunity for the manufacturing of devices for industrial automation control systems in China.

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

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB99,206,000 for the Year (2019: approximately RMB132,223,000), representing a decrease of about 25.0% as compared to that of last year. The decrease is mainly due to the decrease in sales of automation instrument and technology products. Nevertheless, the Group is adversely affected by the sluggish global economy and the COVID-19 outbreak which causes continuing delay in the commencement of large-scale projects in the PRC (particularly those in the petroleum and petrochemical industries) and persistent 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 loss and loss from operations amounted to approximately RMB5,742,000 (2019: gross profit amounted to approximately RMB3,997,000) and approximately RMB96,325,000 (2019: approximately RMB48,003,000) respectively. The gross loss is mainly due to the decrease in sales of automation instrument and technology products. The loss from operations included approximately RMB38,312,000 (2019: Nil) and RMB10,267,000 (2019: approximately RMB977,000) impairment loss on property, plant and equipment and impairment loss on inventories respectively.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB721,000, as compared to that of approximately RMB11,626,000 in 2019. It is mainly due to the decrease 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 RMB6,463,000, as compared to that of approximately RMB7,629,000 in 2019. 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 equity shareholders of the Company

The loss attributable to equity shareholders of the Company (the "Shareholders") for the Year was approximately RMB87,940,000, as compared to that of approximately RMB47,482,000 in 2019. 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 RMB8.48 cents (2019: both RMB4.58 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 2020, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,462,143,000 (30 June 2019: approximately RMB1,438,811,000), approximately RMB1,471,276,000 (30 June 2019: approximately RMB1,483,400,000) and approximately RMB1,827,482,000 (30 June 2019: approximately RMB1,912,691,000) respectively.

Borrowings

As at 30 June 2020, the Group had no bank borrowings (30 June 2019: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2020 decreased by approximately RMB86,638,000 to approximately RMB1,807,718,000 (30 June 2019: approximately RMB1,894,356,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2020 was approximately 0.04 (30 June 2019: approximately 0.04).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

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

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

Up to 30 June 2020, the Group has utilised the Net Proceeds as follows:

1. Approximately HK$652 million were used for establishment of production facilities for new products of the Group;

2. Approximately HK$164 million were used for research and development efforts;

3. Approximately HK$42 million were used for network development and sales support services; and

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

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

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 30 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES AND SHARE OPTION SCHEME

As at 30 June 2020, the Group employed a total of 529 employees (30 June 2019: 552). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB33,634,000 (2019: approximately RMB38,104,000).

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.

In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. The Scheme expired on 13 November 2019 (the "Expirations Date"). From 1 July 2019 to the Expiration Date, no option was granted, exercised, cancelled or lapsed under the Scheme. Details of the Scheme are set out in note 29 to the consolidated financial statements.

CHARGE ON ASSETS

As at 30 June 2020, the Group did not have any charges on its assets (30 June 2019: 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 2020.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies primarily in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might materially 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 2020, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB25,000 (30 June 2019: approximately RMB902,000).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities (30 June 2019: Nil).

Biographical information of directors and senior management

DIRECTORS

Executive Directors

Mr. Wong Fun Chung (黃訓松), aged 67, 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 29 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 2020.

Mr. Zou Chong (鄒崇), aged 50, 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 29 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 70, 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 28 years. In 2003, he was appointed as a deputy general manager of Fujian Wide Plus, and was approved as an electrical engineer (intermediate level) (中級電子工程師) by the Intermediate and Primary Level Adjudication Committee of the Fuzhou City Rural Enterprise Engineering Department (福州市鄉鎮企業工程系列中、初級評委會). Mr. Su was recognized by the Fuzhou Bureau of Light Industry (福州市輕工業局) as an outstanding performer in the technological development of light industry system (輕工系統技術開發優秀工作者) in 1989 and also as a pioneer worker in production management (生產管理先進工作者) in 1991. Mr. Su is responsible for the warehouse management, production workshops and quality control of the Group.

Mr. Cheung Chuen (張全), aged 46, 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. 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 21 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 56, was appointed as an independent non-executive Director of the Company on 2 April 2008. 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 79, was appointed as an independent non-executive Director of the Company on 2 April 2008. 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 42, was appointed as an independent non-executive Director of the Company on 2 April 2008. 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 21 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.

SENIOR MANAGEMENT

Mr. Tang Chong Sen (唐崇森), aged 80, 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 24 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 78, 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 is responsible for overseeing the crafts processing and high precision mechanical research and development of the Group.

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

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the "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 A.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 2020, the Board consisted of four executive Directors, namely Mr. Wong Fun Chung (who is also the chairman of the Board), Mr. Zou Chong, Mr. Su Fang Zhong, and Mr. Cheung Chuen, and three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Each of the Directors' respective biographical details is set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report.

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

2. Functions of the Board of Directors

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

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

3. Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; (v) reviewing the Company's compliance with the 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 2020, 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 2020, the Board conducted four meetings and the Board will meet on other occasions when a board-level decision on a particular matter is required. The attendance records of those meetings held are set out below:

Members	No. of attendance
Executive Directors	
Mr. Wong Fun Chung *(Chairman and Chief Executive Officer)*	4/4
Mr. Zou Chong	4/4
Mr. Su Fang Zhong	4/4
Mr. Cheung Chuen	4/4
Independent non-executive Directors	
Dr. Hu Guo Qing	3/4
Ms. Ji Qin Zhi	3/4
Mr. Chan Yuk Hiu, Taylor	3/4

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 A.6.7, 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 27 November 2019. The attendance records of members of the Board of the general meeting held are set out below:

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

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 independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. Pursuant to Code Provision A.4.3, 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. Ms. Ji Qin Zhi will be subject to retirement by rotation and offers herself for re-election at the forthcoming annual general meeting. The Board has expressed its view on the independence of Ms. Ji Qin Zhi in a circular in relation to, among other matters, the re-election of retiring Directors in the forthcoming annual general meeting for shareholders' consideration.

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.

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

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

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

Pursuant to Code Provision A.6.5, 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.

7. Chairman and Chief Executive Officer

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

8. Appointment, Re-election and Removal of Directors

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

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

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

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

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

9. Board Diversity and Nomination Policies

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

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

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

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

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

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

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 2020, two meetings were held to review the Company's policy and structure for all directors' and senior management's remuneration; to assess the performance of executive Directors; and to review the remuneration package of members of the Board and senior management of the Company. The attendance records of the Remuneration Committee meetings held are set out below:

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

None of the Remuneration Committee meetings held in the year ended 30 June 2020 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 12 to the consolidated financial statements. The remuneration payable to senior management of the Company (excluding Directors) for the year ended 30 June 2020 within the band of HK$1,000,000 or less comprises one individual.

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 system, to review and monitor the audit process, to review the Group's financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2020.

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 2020, 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 2020;

(ii) review of the draft consolidated financial statements of the Group for the year ended 30 June 2020 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 2020 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 2019 with a recommendation to the Board for publication and approval;

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

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

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

(viii) review of the audit fees payable to the external auditors for the year ended 30 June 2020 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 four meetings of the Audit Committee held for the year ended 30 June 2020. The attendance records of the Audit Committee meetings held are set out below:

Members	**No. of attendance**
Dr. Hu Guo Qing	4/4
Ms. Ji Qin Zhi	4/4
Mr. Chan Yuk Hiu, Taylor	4/4

None of the Audit Committee meetings held in the year ended 30 June 2020 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 2020, the Nomination Committee has held two meetings to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of independent non-executive Directors; (iii) make recommendations to the Board on the re-appointment of Directors; (iv) review the effectiveness of the board diversity policy of the Company; and (v) review the nomination policy of the Company. The attendance records of the Nomination Committee meetings held are set out below:

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

None of the Nomination Committee meetings held in the year ended 30 June 2020 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.

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 internal control system has functioned effectively. 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 system is effective and adequate for the Group as a whole.

3. Auditors' Remuneration

During the year ended 30 June 2020, the remuneration paid/payable to the Company's auditors, Pan-China (H.K.) CPA Limited, is set out as follows:

Nature of Services	**Fee paid/payable**
	RMB'000
Audit services	1,800
Non-audit services	—
Total	1,800

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 shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

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

2. Right to Put Enquiries to the Board

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

3. Right to Put Forward Proposals at General Meetings

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

F. INVESTOR AND SHAREHOLDERS RELATIONS

The Company continues to pursue a proactive 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.net.

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.

A copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 30 June 2020.

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 in 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 regularly assesses the environmental, social and governance risks, formulates the environmental, social and governance strategy and policies, ensure the establishment and maintenance of effective internal control procedures on the environmental, social and governance aspects of its business and operations. Independent assessment organisation was also engaged to further evaluate the environmental aspect of the Group's business and operations.

Fujian Wide Plus Precision Instruments Co., Ltd., ("Fujian Wide Plus"), an indirect wholly-owned subsidiary of the Company, 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 2019, Fujian Wide Plus was again awarded ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certifications by the China Quality Certification Centre, which are valid for 3 years until January 2022. 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:

WORKPLACE PRACTICES

Working Conditions

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, diversity 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 and emotion of work of employees, and to those that may affect the quality of engineering, equipment safety, safety of personnel and environment. The Group provides suitable working environment to its staff, which includes:

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

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

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

The 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 First, Prevention 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 equipments etc. The Group implemented the above said relevant 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 thereof is monitored by a designated committee by the senior management with both regular inspections and spot checks. In November 2019, 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.

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.

Labour Standards

Employment of staff by the Group must comply with the rules under the relevant national and local Labour Law. 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" 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.

ENVIRONMENTAL PROTECTION

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 November 2019, 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 Group strictly complied with the relevant standards, laws and regulations that have a significant impact on the Company as well as its internal policies throughout the Year and its aim was successfully achieved. The Group will continue to do so in the future.

Type of emissions	Annual emissions	
	2020	2019
Waste water:	4,500 tonnes	4,685 tonnes
suspension	45.5 kg	46.9 kg
five-day biochemical oxygen demand	70.0 kg	70.7 kg
chemical oxygen demand	240.0 kg	248.3 kg
animal and vegetable oil	4.8 kg	5.0 kg
ammonia	103.0 kg	103.5 kg
Exhaust gas:	9,459,600 Nm^3	9,471,600 Nm^3
particulates	5.40 kg	5.52 kg
non-methane hydrocarbons	1.80 kg	1.78 kg
tin	0.00 kg	0.00 kg

Use of Resources

"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.

"Operating control procedural document", which is established 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.

3) Office Consumables Consumption Management

A. Other than formal documents 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 unrelated to work.

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

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, consuming activities. Three states, three tenses and seven areas are considered when identifying environmental factors:

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.

Seven areas:

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

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

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

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

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

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

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

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

Water, electricity and packaging material consumption:

	Water (Ton '000s)	**Electricity** (kwh '000s)	**Packaging material** (Ton)
	For the year ended 30 June 2020		
Unit consumed	**120**	**4,243**	**65**
	For the year ended 30 June 2019		
Unit consumed	117	4,313	140

OPERATING PRACTICES

Supply Chain Management

For the year ended 30 June 2020, the Group sourced its raw materials and components from more than 100 suppliers who were independent third parties and 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, the purchasing department should deliver the Group's policy, the Group's requirements on environment 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 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 our 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 throughout the Year.

Quality assurance

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

Details of recall procedures can be found in the "Unqualified Products Control Procedures". Generally, when goods are delivered and quality abnormality (such as excessive chemicals in the product) is discovered, the quality control department would inform sales department 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 2020, 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.

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 or 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.

The Group also established procedures to ensure that customer's information is only used for intended purposes and is kept 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 must be handed to the Company. 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 throughout the Year. There was no any legal case regarding corrupt practices brought against the Group or its employees during the Year.

Investing in the Community

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. 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 the employees in the community, such as promotional activity on waste classification called "Beautifying environment through waste classification and establishing civilization standard through the participation of enterprises", the enterprise invitational event of tug of war called "Red Interlink", and the workers' health consultation community event called "protecting the life with care and looking after the health with tender", 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 2020.

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 34(a) 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 16 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 4 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 23, pages 24 to 30 and pages 31 to 37 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 6 and 31 to the financial statements, 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 2020 are set out in the consolidated financial statements on pages 43 to 119.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2019: NIL).

TRANSFER TO RESERVES

Loss for the year attributable to equity shareholders of the Company of approximately RMB87,940,000 (2019: approximately RMB47,482,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 47.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to the equity shareholders of the Company as at 30 June 2020 are set out in note 30(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 17 to the consolidated financial statements.

COMMITMENTS

Particulars of the commitments of the Group as at 30 June 2020 are set out in note 32 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" section on pages 10 to 12 of this annual report.

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

DIRECTORS' SERVICE AGREEMENTS

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

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

Executive Directors

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

Independent Non-executive Directors

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As at 30 June 2020, 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:

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

Notes:

1. 39,824,704 shares were held by Fortune Plus Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 66.6% by Mr. Wong. Therefore Mr. Wong is deemed to be interested in these shares under the SFO.

2. As at 30 June 2020, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company or their respective associates had registered any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

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

Note:

1. As at 30 June 2020, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 30 June 2020, 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 30 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Scheme") on 28 October 2009. The Scheme expired on 13 November 2019 (the "Expiration Date"). On and prior to the Expiration Date, the maximum number of shares of the Company that may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Group must not in aggregate exceed 100,000,000 shares of the Company, being 10% of shares in issue as at the date of listing of the Company's shares. As at the Expiration Date, the total number of shares of the Company available for issue under the Scheme is 100,000,000 shares, representing 9.64% of the shares in issue. From 1 July 2019 to the Expiration Date, no share option has been granted, exercised, cancelled or lapsed.

The principal terms of the Scheme are set out in note 29 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures of the Company or any associated corporations" and "Share option scheme" 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 12 and 33 to the consolidated financial statements, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and 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 note 33 to the consolidated financial statements, the Group had no 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	9.6%	
Five largest customers in aggregate	42.4%	
The largest supplier		26.8%
Five largest suppliers in aggregate		73.4%

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 10(a) to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices (revised and renamed as 'Corporate Governance Code' with effect from 1 April 2012). The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process, to review the Company's financial information and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor (Chairman). The Company's annual report for the Year has been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date 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

The consolidated financial statements of the Group for the year ended 30 June 2020 have been audited by Pan-China who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

SUSPENSION OF TRADING

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

By Order of the Board

Wong Fun Chung
Chairman

Hong Kong, 28 September 2020

Independent auditor's report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

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 43 to 119, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarized as follows:

- Valuation of inventories

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories	
Refer to notes 6(b) and 22 to the consolidated financial statements As at 30 June 2020, the inventories of the Group amounted to RMB41,069,000. As described in the significant accounting policies in note 5(h) to the consolidated financial statements, inventories are carried at the lower of cost and net realizable value. The Group is engaged in manufacture and sale of automation instrument and technology products and horological instruments. The Group plans the production based on the actual and anticipated demand, market condition and production efficiency but the unpredictable market volatilities could have severe impacts on the manufacturing costs and marketability of the Group's products. Management judgement is required for assessing the appropriate level of inventory provision in light of the current challenging business environment. Management reviews the carrying values of inventories and determines the amount of impairment provision with reference to the inventory utilization records, inventories ageing, confirmed sales orders and selling prices for sales subsequent to the year end. We focused on the evaluation of management's assessment on valuation of inventories due to the size of the Group's inventories and the significant judgement and estimate used to assess the valuation of inventories.	Our procedures in relation to management's assessment on valuation of inventories included: • Understanding and evaluating the appropriateness of the basis for management used in estimating the level of impairment provision for inventories by considering the level of inventory written off in the prior and current years, inventory ageing as at 30 June 2020; the subsequent sales situation after year end; and the confirmed orders on hand; • Testing the accuracy of inventory ageing on a sample basis by checking to the inventories receipt records; • Performing analytics on inventory holding and inventory movement data to identify products with indication of slow moving or obsolescence; • Testing the confirmed sales orders by checking to the purchase orders placed by the Group's customers on a sample basis; and • Comparing the carrying amounts of the inventories, on a sample basis, to their net realisable values through review of sales of the inventories subsequent to the year end. Where there are no subsequent sales of the respective inventories after the year end, we challenged management as to the realizable value of the inventories, corroborating explanations with the ageing and marketability of the respective inventories, as appropriate. Based on the procedures performed, we found the estimations of management in relation to the assessment on valuation of inventories to be supportable by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and right-of-use assets	
Refer to notes 6(h), 17 and 18 to the consolidated financial statements	Our procedures in relation to management's assessment on impairment of property, plant and equipment included:
As of 30 June 2020, the Group had property, plant and equipment and right-of-use assets with carrying amounts of RMB291,221,000 and RMB9,743,000 respectively. During the year ended 30 June 2020, impairment losses of RMB38,312,000 and RMB1,142,000 were recognised against property, plant and equipment and right-of-use assets respectively.	• Our audit procedures were designed to evaluate the management's assessment of the indicators of impairment and, where such indicators were identified, assessed the reasonableness of management's impairment testing and identified any valuation risk of property, plant and equipment and right-of-use assets.
We have identified the impairment assessment of the property, plant and equipment and right-of-use assets as a key audit matter because of its significance to the consolidated financial statements and because determination of the recoverable amount of the property, plant and equipment and right-of-use assets required significant management judgement and assumptions made for the cash flow forecasts which included estimated revenue growth rate, operating costs and discount rate.	• We have assessed the cash flow forecasts used in respect of the property, plant and equipment and right-of-use assets, with comparison to recent performance, trend analysis and market expectations. • We have evaluated and challenged the reasonableness of key assumptions used by management in determination of the impairment losses, including the estimated revenue growth rate, operating costs and discount rate. We found the assumptions made by the management in relation to the value-in-use calculations to be reasonable based on the available evidence.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than 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 THE DIRECTORS 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 of the Company 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 of the Company 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, 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.

The engagement director on the audit resulting in this independent auditor's report is Hon Sai Wa.

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

Hon Sai Wa
Practising Certificate Number: P06829

19/F, Kwan Chart Tower
6 Tonnochy Road
Wanchai
Hong Kong, 28 September 2020

Consolidated statement of profit or loss

For the year ended 30 June 2020
(Expressed in Renminbi Yuan)

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	99,206	132,223
Cost of sales		(104,948)	(128,226)
Gross (loss)/profit		(5,742)	3,997
Other income	8	12,103	9,315
Other loss, net	8	(2,804)	(8,912)
Distribution costs		(2,801)	(3,030)
Administrative expenses		(44,024)	(45,102)
Fair value change in investment properties	19	(704)	(2,590)
Write-down of inventories	22	(10,267)	(977)
Impairment loss on trade receivables	23	(2,632)	(704)
Impairment loss on property, plant and equipment	17	(38,312)	—
Impairment loss on right-of-use assets	18	(1,142)	—
Loss from operations		(96,325)	(48,003)
Finance costs	9	(200)	—
Loss before taxation	10	(96,525)	(48,003)
Income tax credit	11(a)	8,585	521
Loss for the year attributable to equity shareholders of the Company		(87,940)	(47,482)
Loss per share (RMB cents)	15		
— basic		(8.48)	(4.58)
— diluted		(8.48)	(4.58)

The notes on pages 49 to 119 form part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020
(Expressed in Renminbi Yuan)

	2020 RMB'000	2019 RMB'000
Loss for the year attributable to equity shareholders of the Company	(87,940)	(47,482)
Other comprehensive (expense)/income for the year, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Fair value change in financial assets at fair value through other comprehensive income	(1,149)	(356)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	2,451	2,842
Other comprehensive income for the year	1,302	2,486
Total comprehensive expense for the year attributable to equity shareholders of the Company	(86,638)	(44,996)

The notes on pages 49 to 119 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2020
(Expressed in Renminbi Yuan)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	291,221	371,963
Right-of-use assets	18	9,743	—
Investment properties	19	37,199	37,903
Interests in leasehold land held for own use under operating leases	20	—	8,275
Deposits for the purchase of property, plant and equipment		261	451
Rental deposits		—	199
Financial assets at fair value through other comprehensive income	21	5,816	6,964
Deferred tax assets	27(a)	11,966	3,536
		356,206	429,291
Current assets			
Inventories	22	41,069	42,870
Trade and other receivables	23	25,234	63,140
Cash and cash equivalents	24	1,462,143	1,438,811
		1,528,446	1,544,821
Current liabilities			
Trade and other payables	25	55,521	60,887
Lease liabilities	26	1,190	—
Provision for warranties	28	459	534
		57,170	61,421
Net current assets		1,471,276	1,483,400
Total assets less current liabilities		1,827,482	1,912,691

Consolidated statement of financial position

As at 30 June 2020
(Expressed in Renminbi Yuan)

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	26	1,584	—
Deferred tax liabilities	27(a)	18,180	18,335
		19,764	18,335
NET ASSETS		1,807,718	1,894,356
CAPITAL AND RESERVES			
Share capital	30	91,360	91,360
Reserves		1,716,358	1,802,996
TOTAL EQUITY		1,807,718	1,894,356

The notes on pages 49 to 119 form part of these consolidated financial statements.

The consolidated financial statements were approved and authorized for issue by the board of directors on 28 September 2020 and are signed on behalf of the Board by:

Wong Fun Chung
Executive Director

Cheung Chuen
Executive Director

Consolidated statement of changes in equity

For the year ended 30 June 2020
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium (note 30(c)(i))	Surplus reserve (note 30(c)(ii))	Other reserve (note 30(c)(iii))	Revaluation reserve (note 30(c)(iv))	Fair value through other comprehensive income reserve (note 30(c)(v))	Exchange reserve (note 30(c)(vi))	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2018	91,360	941,077	181,790	2,982	2,986	—	(22,225)	741,382	1,939,352
Changes in equity for the year ended 30 June 2019:									
Loss for the year	—	—	—	—	—	—	—	(47,482)	(47,482)
Other comprehensive income									
Currency translation differences	—	—	—	—	—	—	2,842	—	2,842
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(356)	—	—	(356)
Total comprehensive expense	—	—	—	—	—	(356)	2,842	(47,482)	(44,996)
Balance at 30 June 2019 and 1 July 2019	91,360	941,077	181,790	2,982	2,986	(356)	(19,383)	693,900	1,894,356
Changes in equity for the year ended 30 June 2020:									
Loss for the year	—	—	—	—	—	—	—	(87,940)	(87,940)
Other comprehensive income									
Currency translation differences	—	—	—	—	—	—	2,451	—	2,451
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,149)	—	—	(1,149)
Total comprehensive expense	—	—	—	—	—	(1,149)	2,451	(87,940)	(86,638)
Balance at 30 June 2020	91,360	941,077	181,790	2,982	2,986	(1,505)	(16,932)	605,960	1,807,718

The notes on pages 49 to 119 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020
(Expressed in Renminbi Yuan)

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from/(used in) operations	24(b)	21,295	(6,760)
Net cash generated from/(used in) operating activities		21,295	(6,760)
Investing activities			
Payment for the purchase of property, plant and equipment		(846)	(1,476)
Receipt on disposal of property, plant and equipment		327	3,082
Receipt on disposal of investment properties		—	400
Interest received		4,379	4,354
Acquisition of financial assets at fair value through other comprehensive income		(1)	—
Net cash generated from investing activities		3,859	6,360
Financing activities			
Capital element of lease rentals paid		(1,622)	—
Interest element of lease rentals paid		(200)	—
Net cash used in financing activities		(1,822)	—
Net increase/(decrease) in cash and cash equivalents		23,332	(400)
Cash and cash equivalents at beginning of the year		1,438,811	1,439,211
Cash and cash equivalents at end of the year	24(a)	1,462,143	1,438,811

The notes on pages 49 to 119 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

China High Precision Automation Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of high precision industrial automation instrument and technology products and multi-functional all plastic quartz watch movements.

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

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

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 July 2019. These new and revised HKFRSs have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Employee Benefits Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The application of the above new and revised to HKFRSs in the current year, except for HKFRS 16, has no material impact on the Group's consolidated financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 superseded HKAS 17 Leases, and the related interpretations. With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date of the commencement of the lease. Subsequently, the lease liability is adjusted for interest and lease payments.

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

HKFRS 16 Leases *(continued)*

The Group has applied the modified retrospective approach for the adoption of HKFRS 16 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019 and did not restate the comparative information. On adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets have been adjusted to approximately RMB4,254,000 and RMB4,254,000 respectively and the weighted average of incremental borrowing rate used for determination of the present value of the remaining lease payments was 5.68% per annum.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to HKFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with HKAS 17 and HK(IFRIC)-Int 4 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. HKFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in HKAS 17 and HK(IFRIC)-Int 4.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed for whether there is a lease under HKFRS 16. Therefore, the definition of a lease under HKFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(b) Impact on lessee accounting

(i) Former operating leases

HKFRS 16 changes how the Group as a lessee accounts for leases previously classified as operating leases under HKAS 17, which were off balance sheet.

Applying HKFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

HKFRS 16 Leases *(continued)*

(b) Impact on lessee accounting *(continued)*

(i) Former operating leases (continued)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under HKAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases

The main differences between HKFRS 16 and HKAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. HKFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by HKAS 17. This change did not have any effect on the Group's consolidated financial statements as the Group did not have any finance lease payables.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 30 June 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

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

HKFRS 16 Leases *(continued)*

(c) Impact on lessor accounting

HKFRS 16 does not change substantially how a lessor accounts for leases. Under HKFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, HKFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

In addition to leasing out the investment property referred to in paragraph (b)(iii) above, the Group leases out office premises as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under HKAS 17).

This change did not have any effect on the Group's consolidated financial statements as the Group did not have any finance lease receivables.

(d) Financial impact of the initial application of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019 (date of initial application of HKFRS 16). The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments was 5.68% per annum.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the reliance on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review;
- the use of hindsight based on facts and circumstances as at date of initial application in determining the lease term of the Group's leases with extension or termination options;
- the accounting for operating leases with a remaining lease term within 12 months as at 1 July 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

HKFRS 16 Leases *(continued)*

(d) Financial impact of the initial application of HKFRS 16 *(continued)*

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 30 June 2019 and lease liabilities recognised in the opening of the consolidated statement of financial position as at 1 July 2019 (date of initial application of HKFRS 16) is as follows:

	RMB'000
Operating lease commitments disclosed as at 30 June 2019	4,750
Short-term leases	(118)
Effect of discounting	(378)
Lease liabilities recognised as at 1 July 2019	4,254
Analysis as:	
— Current lease liabilities	1,580
— Non-current lease liabilities	2,674
	4,254

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy resulted in the recognition of both right-of-use assets and lease liabilities approximately of RMB12,756,000 and RMB4,254,000 respectively in the opening of the consolidated statement of financial position on 1 July 2019.

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

HKFRS 16 Leases *(continued)*

(d) Financial impact of the initial application of HKFRS 16 (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 30 June 2019 RMB'000	HKFRS16 adjustment RMB'000	Carrying amount at 1 July 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16			
Right-of-use assets	—	12,756	12,756
Interests in leasehold land held for own use under operating leases	8,275	(8,275)	—
Total non-current assets	429,291	4,481	433,772
Trade and other receivables	63,140	(227)	62,913
Current assets	1,544,821	(227)	1,544,594
Lease liabilities (current)	—	1,580	1,580
Current liabilities	61,421	1,580	63,001
Net current assets	1,483,400	(1,807)	1,481,593
Total assets less current liabilities	1,912,691	2,674	1,915,365
Lease liabilities (non-current)	—	2,674	2,674
Total non-current liabilities	18,335	2,674	21,009
Net assets	1,894,356	—	1,894,356

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

HKFRS 16 Leases *(continued)*

(d) Financial impact of the initial application of HKFRS 16 *(continued)*

Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

New and revised HKFRSs issued but not yet effective

The Group has not applied any of the following new HKFRSs and amendments to HKFRSs ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Conceptual Framework	Amendments to References to the Conceptual Framework for Financial Reporting[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 June 2020

Management is in the process of making an assessment of the impact of these new standards and amendments in the period of initial application. These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. STATEMENT OF COMPLIANCE

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

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments and investment properties that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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 (since 1 July 2019) or HKAS 17 (before application of HKFRS 16), 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".

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.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in note 6.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the result of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

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. 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, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlled interests. 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 that to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group.

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

(b) Revenue recognition

Income is classified by the Group as revenue when it arises from the sales of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

Control is transferred over time and revenue is recognised over time 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition *(continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Other income

The Group's other income recognition policies are as follows:

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 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.

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(c) Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent payments made to acquire leasehold land, and are carried at cost less accumulated amortisation and impairment losses (see note 5(g)). Amortisation is charged to profit or loss on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leasehold land.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 5(g)). Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method 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

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Investment properties

Investment properties are properties which are owned to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Rental income from investment properties is accounted for as described in note 5(b).

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Investment properties *(continued)*

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 disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

(f) Leasing

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

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

— The amount expected to be payable by the lessee under residual value guarantees;

— The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

— Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

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

— The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

— The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

— A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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 did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses (see note 5(g)).

Whenever the Group incurs an obligation for costs to dismantle and remove a right-of-use asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	over the lease terms
Leased properties	over the lease terms

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain 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 as lessee (prior to 1 July 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

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 of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease 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.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

The Group as lessor (prior to 1 July 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

(g) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets;

— interests in leasehold land held for own use under operating leases;

— deposits for the purchase of property, plant and equipment; and

— interests in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of other non-current assets *(continued)*

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets

Classification

The Group has the following types of financial assets:

- Those to be measured subsequently at fair value through other comprehensive income; and
- Those to be subsequently measured at amortised cost.

The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets.

i. Financial assets subsequently measured at amortised cost

In order for a financial asset to be subsequently measured at amortised cost, its contractual cash flows need to be solely payments of principal and interest on the principal amount outstanding and the Group's business model for managing such financial assets is to collect the contractual cash flows.

The Group's financial assets subsequently measured at amortised cost comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

ii. Investments in equity instruments measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer to which HKFRS 3 applies that the Group has made an irrevocable election at the date of initial application of HKFRS 9 or initial recognition of the assets to designate at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 "Financial Instruments: Presentation" and are not held for trading.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets subsequently measured at amortised cost are determined using the effective interest rate method and are subject to impairment. Gain and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Changes in fair value of financial assets at fair value through other comprehensive income are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained profits. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is primary derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost (including trade and other receivables and cash and cash equivalents).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets *(continued)*

Measurement of ECL *(continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECL are measured on either of the following bases:

- 12-months ECL: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECL: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other types of financial instruments, the Group recognises a loss allowance equal to 12-months ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. 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 since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECL are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets *(continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 5(b) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- failure to make payments of principal or interest on their contractually due dates;
- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 5(j).

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate provident fund in Hong Kong and appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) The fair value of share options granted to employees is recognised as staff cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at the grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the directors and employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original staff cost qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On the vesting dates, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the retained profits).

If the grant of share options is cancelled or settled during the vesting period (other than grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 5(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Provisions for the expected cost of warranty obligations under local sale of goods legislation 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Translation of foreign currencies *(continued)*

The results of entities with functional currency other than RMB are translated into RMB at the exchange rates approximating the weighted average exchange rates for the year. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a subsidiary with functional currency other than RMB, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(q) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(r) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing its consolidated financial statements.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(b) An entity is related to a Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between a Group and a related party, regardless of whether a price is charged.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

6. ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Provision for warranties

As explained in note 28, the Group makes provision for the warranties it gives on sales of automation instrument and technology products based on the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that the Group will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Write-down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 5(h). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews regularly the useful lives of the assets and their residual values, if any. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(d) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30 June 2020 at their fair value of approximately RMB37,199,000 (2019: RMB37,903,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

6. ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(e) Fair value measurement of equity investments at fair value through other comprehensive income

In the absence of quoted market prices in an active market, the Company based on the adjusted net asset method to assess the fair values of the equity investments at fair value through other comprehensive income. The directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(f) Estimated impairment loss of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

As at 30 June 2020, the accumulated impairment loss for trade receivable amount to RMB3,574,000 (2019: RMB928,000). Details are set out in note 23 to the consolidated financial statements.

(g) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6. ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(h) Impairment test of items of property, plant and equipment and right-of-use assets

Management estimates the recoverable amount of items of property, plant and equipment and right-of-use assets when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating unit. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the revenue growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying amount of property, plant and equipment and right-of-use assets at 30 June 2020 was RMB291,221,000 (2019: RMB371,963,000) and right-of-use asset of RMB9,743,000 (2019: N/A). Impairment loss of RMB38,312,000 (2019: Nil) and RMB1,142,000 (2019: N/A) were recognised for certain property, plant and equipment and right-of-use assets, respectively. The impairment loss was estimated based on the recoverable amount of the manufacturing business cash generating unit and determined based on a value in use calculation using cash flow projections based on financial forecast approved by management. Further details are contained in notes 17 and 18 to the consolidated financial statements.

7. REVENUE

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

	2020 RMB'000	2019 RMB'000
Disaggregation of revenue from contracts with customers:		
Sales of automation instrument and technology products	93,042	130,125
Sales of horological instruments	6,164	2,098
	99,206	132,223

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

8. OTHER INCOME AND OTHER LOSS, NET

	2020 RMB'000	2019 RMB'000
Other income		
Bank interest income	4,379	4,353
Government grants (Note)	4,326	—
Rental income	2,294	2,184
Service income	1,029	648
Reversal of provision for warranties	75	—
Reversal of impairment loss recognised on trade receivables	—	43
Written back on unclaimed other payables	—	1,556
Sundry income	—	531
	12,103	9,315
Other loss, net		
Loss on disposal of property, plant and equipment	(12)	(5,944)
Gain on disposal of investment properties	—	101
Net foreign exchange loss	(2,792)	(3,069)
	(2,804)	(8,912)

Note:

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

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	200	—

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under the approach, the comparative information is not restated.

10. LOSS BEFORE TAXATION

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

	2020 RMB'000	2019 RMB'000
(a) Staff costs		
Contributions to defined contribution retirement plans	1,044	1,934
Salaries, wages and other benefits	32,590	36,170
	33,634	38,104

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the "Defined Contribution Scheme") organised by the PRC municipal government authority in the Fujian province whereby the Group is required to make a contribution at the rate of 16% (2019: 18%) of the eligible employees' salaries to the Defined Contribution Scheme. The Group has accrued for the required pension fund contributions, which are remitted to the social security office in the Fujian province when the contributions become due. The social security office in the Fujian province is responsible for making the benefit payments to the retired employees covered under the Defined Contribution Scheme.

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the employees' relevant income (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

	2020 RMB'000	2019 RMB'000
(b) Other items		
Depreciation expenses		
— property, plant and equipment	42,975	44,418
— right-of-use assets	1,896	—
Amortisation	—	227
Research and development costs	6,469	9,019
(Reversal of provision)/Provision for warranties (note 28)	(75)	42
Auditor's remuneration		
— Audit services	1,800	1,800
Operating lease charges in respect of properties	—	2,301
Expenses relating to short-term leases	469	—
Cost of inventories sold	104,948	128,226

11. INCOME TAX CREDIT

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

	2020 RMB'000	2019 RMB'000
Current tax		
Current year	—	—
Deferred tax credit		
Credited to profit or loss (note 27(a))	(8,585)	(521)
	(8,585)	(521)

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

(iii) No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current year.

(iv) Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise ("ANTE") that meets the conditions according to the *Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises* issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. ("Fujian Wide Plus") was recognised as an ANTE as approved by the relevant authorities.

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

11. INCOME TAX CREDIT *(continued)*

(b) Reconciliation between income tax credit and loss before taxation at applicable tax rate:

	2020 RMB'000	2019 RMB'000
Loss before taxation	(96,525)	(48,003)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	(14,693)	(11,598)
Tax effect of non-taxable revenue	(873)	(2,116)
Tax effect of non-deductible expenses	11,618	7,446
Tax effect of temporary differences	(8,585)	(521)
Tax effect of estimated tax losses not recognised	3,948	6,268
Actual income tax credit	(8,585)	(521)

12. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the Company's directors is as follows:

2020

	Fees RMB'000	Basic salaries, allowances and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors						
Mr. Wong Fun Chung	—	1,102	—	—	—	1,102
Mr. Zou Chong	—	484	13	—	—	497
Mr. Su Fang Zhong	—	485	—	—	—	485
Mr. Cheung Chuen	—	821	16	—	—	837
Independent non-executive directors						
Dr. Hu Guo Qing	108	—	—	—	—	108
Ms. Ji Qin Zhi	108	—	—	—	—	108
Mr. Chan Yuk Hiu, Taylor	108	—	—	—	—	108
Total	324	2,892	29	—	—	3,245

12. DIRECTORS' REMUNERATION *(continued)*

2019

	Fees RMB'000	Basic salaries, allowances and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors						
Mr. Wong Fun Chung	—	1,072	—	—	—	1,072
Mr. Zou Chong	—	480	14	—	—	494
Mr. Su Fang Zhong	—	480	—	—	—	480
Mr. Cheung Chuen	—	792	16	—	—	808
Independent non-executive directors						
Dr. Hu Guo Qing	104	—	—	—	—	104
Ms. Ji Qin Zhi	104	—	—	—	—	104
Mr. Chan Yuk Hiu, Taylor	104	—	—	—	—	104
Total	312	2,824	30	—	—	3,166

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2019: four) are directors of the Company whose emoluments are disclosed in note 12 above. The aggregate of the emoluments in respect of the other one individual for the year ended 30 June 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Contributions to retirement benefit scheme	16	16
Salaries and other emoluments	453	437
Discretionary bonus	—	—
	469	453

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the one (2019: one) individual with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
Less than HK$1,000,000	1	1

For the years ended 30 June 2020 and 2019, 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. In addition, no director has waived or agreed to waive any emoluments.

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately RMB10,092,000 (2019: loss of approximately RMB7,371,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB87,940,000 (2019: approximately RMB47,482,000) and the number of 1,037,500,000 ordinary shares (2019: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of approximately RMB87,940,000 (2019: approximately RMB47,482,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options assuming they were exercised during the year. For the years ended 30 June 2020 and 2019, diluted loss per share are equal to basic loss per share as there was no dilutive potential ordinary shares.

	2020 '000	2019 '000
Weighted average number of ordinary shares (basic)	1,037,500	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	—	—
Weighted average number of ordinary shares (diluted)	1,037,500	1,037,500

16. SEGMENT REPORTING

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

Automation instrument and technology products:	the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments
Horological instruments:	the manufacture and trading of multi-functional all-plastic quartz watch movements

(a) Segment results, assets and liabilities

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2020 and 2019 is set out below.

16. SEGMENT REPORTING *(continued)*

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

	Automation instrument and technology products		Horological instruments		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment revenue	**93,042**	130,125	**6,164**	2,098	**99,206**	132,223
Reportable segment loss (adjusted loss from operations)	**(56,963)**	(31,139)	**(26,943)**	(10,697)	**(83,906)**	(41,836)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: Nil).

	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2020	At 30 June 2019	**At 30 June 2020**	At 30 June 2019	**At 30 June 2020**	At 30 June 2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**245,069**	379,774	**81,860**	103,979	**326,929**	483,753
Reportable segment liabilities	**14,648**	15,234	**854**	467	**15,502**	15,701

16. SEGMENT REPORTING *(continued)*

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	99,206	132,223
Revenue	99,206	132,223

	2020 RMB'000	2019 RMB'000
Profit or loss		
Reportable segment loss	(83,906)	(41,836)
Bank interest income	4,379	4,353
Unallocated head office and corporate income	2,294	2,683
Unallocated head office and corporate expenses	(19,292)	(13,203)
Loss before taxation	(96,525)	(48,003)
Income tax credit	8,585	521
Loss for the year	(87,940)	(47,482)

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	326,929	483,753
Unallocated head office and corporate assets	1,557,723	1,490,359
Total assets	1,884,652	1,974,112

16. SEGMENT REPORTING *(continued)*

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

	2020 RMB'000	2019 RMB'000
Liabilities		
Reportable segment liabilities	15,502	15,701
Unallocated head office and corporate liabilities	61,432	64,055
Total liabilities	76,934	79,756

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(c) Other segment information

	Automation instrument and technology products		Horological instruments	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Depreciation and amortisation	33,542	43,171	7,970	696
Addition to non-current segment assets during the year	673	1,198	114	—
Impairment loss of trade receivables	2,511	114	121	590
Reversal of impairment loss of trade receivables	—	(43)	—	—
Impairment loss/(Reversal of impairment loss) on inventory	3,142	(920)	7,125	1,897
Impairment loss on property, plant and equipment	22,928	—	10,847	—
Impairment loss on right-of-use assets	936	—	155	—

16. 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, interests in leasehold land held for own use under operating leases, rental deposits and deposits for the purchase of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		Specified non-current assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Hong Kong	9,036	—	208	207
People's Republic of China ("PRC") (excluding Hong Kong)	89,459	131,439	338,216	418,584
Others	711	784	—	—
	99,206	132,223	338,424	418,791

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	Reportable segments	2020 RMB'000	2019 RMB'000
Customer A	Automation instrument and technology products	N/A(*)	13,437
Customer B	Automation instrument and technology products	N/A(*)	14,717

(*): Revenue from Customer A and B did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2020.

17. PROPERTY PLANT AND EQUIPMENT

	Plant and machineries RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Cost:						
At 1 July 2018	344,436	410,347	23,487	2,296	11,506	792,072
Additions	1,198	—	—	—	278	1,476
Disposals	(8,818)	(2,076)	(680)	—	(78)	(11,652)
Exchange adjustment	—	—	10	—	59	69
At 30 June 2019	336,816	408,271	22,817	2,296	11,765	781,965
At 1 July 2019	336,816	408,271	22,817	2,296	11,765	781,965
Additions	787	—	—	—	59	846
Disposals	(2,382)	—	—	(63)	(136)	(2,581)
Exchange adjustment	—	—	9	—	54	63
At 30 June 2020	335,221	408,271	22,826	2,233	11,742	780,293
Accumulated depreciation and impairment losses:						
At 1 July 2018	223,805	109,382	22,979	1,777	10,181	368,124
Charge for the year	25,278	18,411	399	169	161	44,418
Disposals	(1,645)	(224)	(680)	—	(60)	(2,609)
Exchange adjustment	—	—	10	—	59	69
At 30 June 2019	247,438	127,569	22,708	1,946	10,341	410,002
At 1 July 2019	247,438	127,569	22,708	1,946	10,341	410,002
Charge for the year	24,252	18,372	109	88	154	42,975
Impairment loss	9,978	28,167	—	27	140	38,312
Disposals	(2,100)	—	—	(57)	(122)	(2,279)
Exchange adjustment	—	—	9	—	53	62
At 30 June 2020	279,568	174,108	22,826	2,004	10,566	489,072
Net carrying amount:						
At 30 June 2020	55,653	234,163	—	229	1,176	291,221
At 30 June 2019	89,378	280,702	109	350	1,424	371,963

17. PROPERTY PLANT AND EQUIPMENT *(continued)*

Impairment loss

At the end of the reporting period, in the view of the manufacturing business which continued to underperform, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that the recoverable amount of the property, plant and equipment is lower than its carrying amount as at 30 June 2020, accordingly an impairment of RMB38,312,000 has been recognised in profit or loss for the year ended 30 June 2020. The estimates of the recoverable amounts of the property, plant and equipments were determined based on value-in-use calculations using discounted cash projection at pre-tax discount rate of 18% per annum based on financial forecast approved by management.

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	**Leasehold land** RMB'000	**Total** RMB'000
COST			
At 30 June 2019	—	—	—
Impact on initial application of HKFRS 16	4,254	10,656	14,910
At 1 July 2019	4,254	10,656	14,910
Exchange adjustment	33	—	33
At 30 June 2020	4,287	10,656	14,943
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
At 30 June 2019	—	—	—
Impact on initial application of HKFRS 16	—	2,154	2,154
At 1 July 2019	—	2,154	2,154
Depreciation	1,669	227	1,896
Impairment loss	258	884	1,142
Exchange adjustment	8	—	8
At 30 June 2020	1,935	3,265	5,200
NET CARRYING AMOUNT			
At 30 June 2020	2,352	7,391	9,743

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

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	30 June 2020 RMB'000	1 July 2019 RMB'000
Interests in leasehold land held for own use, carried at cost less accumulated depreciation and impairment loss in the PRC with lease term expiring in 2056	7,391	8,502
Properties leased for own use, carried at cost less accumulated depreciation and impairment loss	2,352	4,254
	9,743	12,756

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

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	1,669	—
Interests in leasehold land held for own use	227	—
Interest on lease liabilities	200	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	—	2,301
Expenses relating to short-term lease	469	—

The Group has adopted HKFRS 16 by using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

Upon the initial adoption of HKFRS 16 on 1 July 2019, the carrying amounts of the following items were identified as right-of-use assets: (i) leasehold land interests held in Fuzhou, the PRC under medium lease terms (note 20) and (ii) right to use of office premises, where located in Hong Kong and the PRC under non-cancellable operating lease contracts, with lease terms ranged from two year to three years (note 32).

At the end of the reporting period, in the view of the manufacturing business which continued to underperform, the directors of the Company conducted a review of the Group's right-of-use assets and determined that the recoverable amount of the right-of-use assets is lower than its carrying amount as at 30 June 2020, accordingly an impairment of RMB1,142,000 has been recognised in profit or loss for the year ended 30 June 2020. The estimates of the recoverable amounts of right-of-use assets were determined based on value-in-use calculations using discounted cash projection at pre-tax discount rate of 18% per annum based on financial forecast approved by management.

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

Details of total cash outflow for leases are as follows:

Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	469	2,275
Within financing cash flows	1,822	—
Lease rentals paid	2,291	2,275

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative information has not been restated.

19. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 July 2019/2018	37,903	40,792
Disposals	—	(299)
Fair value change in investment properties	(704)	(2,590)
At 30 June 2020/2019	37,199	37,903

Investment properties represent office premises and car-parking spaces located in Fuzhou, the PRC, under medium-term lease.

Amounts recognised in profit or loss for investment properties

	2020 RMB'000	2019 RMB'000
Rental income	2,630	2,504
Direct operating expenses from properties that generated rental income	(336)	(320)
	2,294	2,184

The fair values of the Group's investment properties at 30 June 2020 and 2019 have been arrived at on the basis of a valuation carried out by an independent firm of professional valuers not connected with the Group, and were determined based on market comparison approach assuming sales of the property interest in its existing state and making references to comparable market observable transactions of similar properties with adjustments made for size, location, time, amenities and other relevant factors when comparing such sales against the investment properties.

19. INVESTMENT PROPERTIES *(continued)*

Amounts recognised in profit or loss for investment properties *(continued)*

All of the Group's investment properties measured at fair value are categorised as Level 3 valuation. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or charge in circumstances that cause the transfer. During the years ended 30 June 2020 and 2019, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

The following table shows the valuation techniques used in the determination of fair values of the investment properties and unobservable inputs used in the valuation models as at 30 June 2020 and 2019.

Date	Fair value	Fair value hierarchy	Valuation techniques	Unobservable input	Range of significant input	Relationship of inputs to fair value
As at 30 June 2020	RMB37,199,000	Level 3	Market comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office and carpark	Office: RMB18,370 to RMB19,200 per square meter Carpark: RMB397,000 to RMB413,600 per unit	The higher the adjusted transaction price the higher the fair value
As at 30 June 2019	RMB37,903,000	Level 3	Market comparison approach	Adjusted transaction price to reflect market value of similar or substitute properties, including office and carpark	Office: RMB17,308 to RMB20,283 per square meter Carpark: RMB297,000 to RMB455,000 per unit	The higher the adjusted transaction price the higher the fair value

The Group leases out investment property under operating leases. The leases typically run for an initial period of 5 years, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	2,887	3,103
After 1 year but within 2 years	3,032	3,240
After 2 year but within 3 years	2,358	3,385
After 3 year but within 4 years	—	2,402
	8,277	12,130

20. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2020 RMB'000	2019 RMB'000
Cost:		
At 1 July 2019/1 July 2018	10,656	10,656
Impact on initial application of HKFRS 16	(10,656)	—
Adjusted balance at 1 July 2019 and 30 June 2020/ Balance at 1 July 2018 and 30 June 2019	—	10,656
Accumulated amortisation:		
At 1 July 2019/1 July 2018	2,154	1,927
Impact on initial application of HKFRS 16	(2,154)	—
Adjusted balance at 1 July 2019/Balance at 1 July 2018	—	1,927
Charge for the year	—	227
At 30 June 2020/30 June 2019	—	2,154
Net carrying amount:		
At 30 June	—	8,502
Representing:		
Non-current portion	—	8,275
Current portion included in "Other prepayments, deposits and receivables" (note 23)	—	227
	—	8,502

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
At 1 July	6,964	—
Transfer from long-term investment upon initial application of HKFRS 9	—	7,320
Additions	1	—
Fair value changes	(1,149)	(356)
At 30 June	5,816	6,964

Financial assets at fair value through other comprehensive income include the following:

	2020 RMB'000	2019 RMB'000
Unlisted equity investments — PRC (note (a))	5,815	6,964
Unlisted equity investments — Hong Kong (note (b))	1	—
	5,816	6,964

(a) The unlisted equity investments represented the Group's equity investments in 上海芯物科技有限公司, a private company operating in the PRC. The fair value of the unlisted equity investments as at 30 June 2020 was approximately RMB5,815,000.

(b) The unlisted equity investments represented the Group's equity investments in The One Smart City Development Limited, a private company operating in Hong Kong.

(c) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the financial assets at fair value through other comprehensive income within 12 months after the end of the reporting period.

22. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Raw materials and consumables	22,999	19,319
Work in progress	8,297	15,024
Finished goods	9,773	8,527
	41,069	42,870

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	104,948	128,226
Write-down of inventories	10,267	977
	115,215	129,203

23. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	22,914	61,739
Other prepayments, deposits and receivables	2,320	1,401
	25,234	63,140

23. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2020 RMB'000	2019 RMB'000
0–60 days	10,995	21,457
61–120 days	5,582	20,115
121–180 days	7,930	20,322
Over 180 days	1,981	773
Total trade receivables	26,488	62,667
Less: Accumulated impairment loss	(3,574)	(928)
Total trade receivables, net of impairment loss	22,914	61,739

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

	2020 RMB'000	2019 RMB'000
United States dollars	4,610	792
Renminbi	21,878	61,875
	26,488	62,667

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

No interest or collateral is charged on the trade receivables.

Movements in the impairment loss of trade receivables:

	2020 RMB'000	2019 RMB'000
Balance at 30 June 2019 under HKAS 39	N/A	199
Effect of initial application of HKFRS 9	N/A	61
Balance at 1 July	928	260
Impairment loss	2,632	704
Reversal of impairment loss	—	(43)
Exchange adjustments	14	7
Balance at 30 June	3,574	928

23. TRADE AND OTHER RECEIVABLES *(continued)*

Impairment assessment under HKFRS 9

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

The expected credit loss on trade receivables is estimated using provision matrix by reference to the past default experience of debtors, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. During the years ended 30 June 2020 and 2019, the expected credit losses of trade receivables are determined as follows:

2020

	Expected credit loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	6.5%	24,507	1,593
Past due over 3 months	100%	1,981	1,981
		26,488	3,574

2019

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

24. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash at bank and in hand	1,462,143	1,438,811

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

	2020 RMB'000	2019 RMB'000
Loss before taxation	(96,525)	(48,003)
Adjustments for:		
— Depreciation of property, plant and equipment	42,975	44,418
— Depreciation of right-of-use assets	1,896	—
— Amortisation	—	227
— Interest income	(4,379)	(4,353)
— Fair value loss of investment properties	704	2,590
— Unrealised exchanged differences	2,580	2,864
— Loss on disposal of property, plant and equipment	12	5,944
— Gain on disposal of investment properties	—	(101)
— Write-down of inventories	10,267	977
— Impairment loss on trade receivables	2,632	704
— Impairment loss on property, plant and equipment	38,312	—
— Impairment loss on right-of-use assets	1,142	—
— Reversal impairment loss of trade receivables	—	(43)
— (Reversal of provision for)/Provision for warranties	(75)	42
— Interest on lease liabilities	200	—
Operating (loss)/profit before changes in working capital	(259)	5,266
Increase in inventories	(8,466)	(858)
Decrease/(Increase) in trade and other receivables	35,233	(2,436)
Decrease in deposits for the purchase of property, plant and equipment	190	60
Decrease in trade and other payables	(5,403)	(8,792)
Cash generated from/(used in) operations	21,295	(6,760)

24. CASH AND CASH EQUIVALENTS *(continued)*

(c) As at 30 June 2020, the balances that were placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB1,461,639,000 (2019: RMB1,438,525,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

(d) Changes in 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 liabilities 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.

	Note	**Lease liabilities** RMB'000
At 30 June 2019		—
Impact on initial application of HKFRS 16		4,254
At 1 July 2019		4,254
Changes from financing cash flows:		
Capital element of lease rentals paid		(1,622)
Interest element of lease rentals paid		(200)
Total changes from financing cash flows		(1,822)
Exchange adjustments		142
Other changes:		
Interest expenses		200
At 30 June 2020	26	2,774

25. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	11,047	13,769
Other payables and accruals	44,474	47,118
	55,521	60,887

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.

25. TRADE AND OTHER PAYABLES *(continued)*

	2020 RMB'000	2019 RMB'000
Within 1 month or on demand	8,697	5,878
Due after 1 month but within 3 months	2,014	7,359
Due after 3 months but within 6 months	124	109
Over 6 months	212	423
	11,047	13,769

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

26. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2020		At 1 July 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,190	1,309	1,580	1,775
After 1 year but within 2 years	1,041	1,103	1,147	1,262
After 2 year but within 5 years	543	551	1,527	1,595
	1,584	1,654	2,674	2,857
	2,774	2,963	4,254	4,632
Less: total future interest expenses		(189)		(378)
Present value of lease liabilities		2,774		4,254

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 July 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 30 June 2019 has not been restated. Further details on the impact of the transition of HKFRS 16 are set out in note 2.

27. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets/(liabilities) recognised:

	Impairment of assets and provisions RMB'000	**Accelerated tax depreciation** RMB'000	**Undistributed profits of the PRC subsidiary** RMB'000	**Total** RMB'000
Deferred tax arising from:				
At 1 July 2018	3,303	(998)	(17,625)	(15,320)
Credited to consolidated statement of profit or loss (note 11(a))	233	288	—	521
At 30 June 2019	3,536	(710)	(17,625)	(14,799)
At 1 July 2019	3,536	(710)	(17,625)	(14,799)
Credited to consolidated statement of profit or loss (note 11(a))	8,430	155	—	8,585
At 30 June 2020	11,966	(555)	(17,625)	(6,214)

	2020 RMB'000	2019 RMB'000
Deferred tax asset recognised in the consolidated statement of financial position	**11,966**	3,536
Deferred tax liabilities recognised in the consolidated statement of financial position	**(18,180)**	(18,335)
	(6,214)	(14,799)

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

(b) Deferred tax not recognised:

At 30 June 2020, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to approximately RMB1,315,873,000 (2019: approximately RMB1,315,873,000). Deferred tax liabilities of approximately RMB48,167,000 (2019: approximately RMB48,167,000) which was 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.

The unused tax losses of the Group will expire in the following years:

	2020 RMB'000	2019 RMB'000
2019	—	15,796
2020	63,670	63,670
2021	77,773	77,773
2022	73,474	73,474
2023	30,927	30,927
2024	10,669	—

28. PROVISION FOR WARRANTIES

	RMB'000
At 1 July 2018	492
Provision made for the year	42
At 30 June 2019	534
At 1 July 2019	534
Reversal of provision made in prior year	(75)
At 30 June 2020	459

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.

29. EQUITY SETTLE SHARE-BASED PAYMENTS

Pursuant to the shareholder's written resolution passed on 28 October 2009, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any directors and employees of the Group, to take up options to subscribe for the shares of the Company. The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Scheme remained in force for a period of 10 years from the effective date of such scheme and has expired on 13 November 2019. As at 30 June 2020 and 2019, no share option was outstanding under the Scheme as all share options granted were lapsed in accordance with the terms of the Scheme on 31 March 2016.

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

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

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

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

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

Each option gives the holder the right to subscribe for one ordinary share in the Company and was settled gross in shares. No share options were granted to the Company's directors and employees during the years ended 30 June 2020 and 30 June 2019.

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was paid or proposed during the year ended 30 June 2020 (2019: Nil). The directors of the Company do not recommend the payment of final dividend after the end of the reporting period (2019: Nil).

(b) Authorised and issued share capital

There was no movements of the authorised share capital of the Company during the years ended 30 June 2019 and 2020:

	Par value	Number of shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Authorised:				
At 1 July 2018, 30 June 2019 and 30 June 2020	0.1	10,000,000	1,000,000	880,500
Issued and fully paid:				
At 1 July 2018, 30 June 2019 and 30 June 2020	0.1	1,037,500	103,750	91,360

Note:

As at 30 June 2020 and 30 June 2019, 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.

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

(c) Nature and purpose of reserve

(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 are 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.

(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 equity to investment properties.

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulate 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 (see note 5(i)).

(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 5(p).

(vii) Distributable reserve

At 30 June 2020, the aggregate amounts of distributable reserves available for distribution to the equity shareholders of the Company, including the distributable amounts disclosed in note 30(c)(i) were RMB829,582,000 (2019: RMB839,674,000). After the end of the reporting period, the directors did not propose a dividend (2019: Nil).

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

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as including all components of equity plus advance from shareholders with no fixed terms of repayment, less unaccrued proposed dividends. On this basis, the amount of capital employed at 30 June 2020 was RMB1,807,718,000 (2019: RMB1,894,356,000).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the company laws of the jurisdictions concerned for each of the entities comprising the Group. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

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

31. FINANCIAL INSTRUMENTS

Category of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at FVTOCI	5,816	6,964
Amortised costs		
— Trade and other receivables	23,268	62,206
— Cash and cash equivalents	1,462,143	1,438,811
Financial liabilities		
Amortised cost		
— Trade and other payables	55,392	60,010
— Lease liabilities	2,774	—

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate, commodity price, supply and foreign currency risks arises in the normal course of the Group's business. These risks are managed by the Group's financial risk management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables are presented net of the allowance for impairment of doubtful debts. Credit risks and exposures are controlled and monitored on an on-going basis by performing credit evaluation on customers on a case-by-case basis. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 120 to 180 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, the Group has a certain concentration of credit risk arising from trade receivables as 15% (2019: 14%) and 61% (2019: 54%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 30 June 2020.

The Group's bank deposits are placed with reputable financial institutions and the Group considers the credit risk to be insignificant. At the end of the reporting period, the Group has a certain concentration of credit risk arising from deposits with banks as 99% of total cash and cash equivalents were deposited at one financial institution in the PRC (2019: 99%).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group does not provide any guarantees which would expose the Group to credit risk.

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting periods of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	2020 contractual undiscounted cash outflow					2019 Contractual undiscounted cash outflow		
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 30 June RMB'000	Within 1 year or on demand RMB'000	Total RMB'000	Carrying amount at 30 June RMB'000
Trade and other payables	55,392	—	—	55,392	55,392	60,010	60,010	60,010
Lease liabilities	1,309	1,103	551	2,963	2,774	—	—	—
	56,701	1,103	551	58,355	58,166	60,010	60,010	60,010

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank. The following table details the interest rate profile of the Group's interest-generating financial assets at the end of the reporting periods.

(i) Interest rate profile

	2020		2019	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Variable rate instruments:				
Cash at bank	0% — 0.5%	1,462,123	0% — 0.5%	1,438,790
Total instruments		1,462,123		1,438,790

(ii) Sensitivity analysis

At 30 June 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and increase/decrease retained profits by approximately RMB12,227,000 (2019: RMB12,230,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2019.

(d) Commodity 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.

(e) Supply risk

The Group sources most of main raw materials from a limited group of suppliers. Interruption or reduction of supply of these raw materials could adversely affect the Group's financial performance. The Group's policy is to regularly monitor the stock level of raw materials to ensure that it maintains sufficient raw materials to meet its production schedules and commitments to customers in the short and longer term. Management does not expect that there will be difficulties to obtain adequate supplies of raw materials and components in a timely manner and at a stable cost. During the year ended 30 June 2020, the Group's supplies of raw materials from the five largest suppliers represented 73% (2019: 83%) of the Group's total raw materials purchases.

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(f) Foreign Currency risk

(i) Foreign currency transactions

The Group is exposed to foreign currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate.

The currencies giving rise to this risk are primarily United States dollars ("USD") and HK$. During the year, sales denominated in these foreign currencies represented 10% (2019: 1%) of the Group's total turnover. The Group does not employ any financial instruments for hedging its exposures to foreign currency risk.

(ii) Recognised assets and liabilities

In respect of other trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to foreign currency risk

The following table details the Group's exposure at the end of the reporting periods to foreign currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group does not expose to significant foreign currency risks as the majority of the Group's assets and liabilities are denominated in relevant functional currency.

	2020			
	RMB RMB'000	HK$ RMB'000	USD RMB'000	EUR RMB'000
Trade and other receivables	—	—	4,611	—
Cash and cash equivalents	—	3	366	—
Trade and other payables	(1,800)	(1,217)	(2,577)	(186)
Lease liabilities	—	—	—	—
Overall exposure	(1,800)	(1,214)	2,400	(186)

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(f) Foreign Currency risk (continued)

(iii) Exposure to foreign currency risk (continued)

	2019			
	RMB RMB'000	HK$ RMB'000	USD RMB'000	EUR RMB'000
Trade and other receivables	—	—	37	—
Cash and cash equivalents	—	—	257	—
Trade and other payables	(1,800)	(1,187)	(2,429)	(186)
Overall exposure	(1,800)	(1,187)	(2,135)	(186)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting periods had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	Increase/ (decrease) in foreign exchange rate	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits RMB'000	Increase/ (decrease) in foreign exchange rate	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits RMB'000
HK$	5%	(52)	5%	(50)
	(5)%	52	(5)%	50
USD	5%	102	5%	(91)
	(5)%	(102)	(5)%	91
RMB	5%	(77)	5%	(77)
	(5)%	77	(5)%	77
EUR	5%	(8)	5%	(8)
	(5)%	8	(5)%	8

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(f) Foreign Currency risk *(continued)*

(iv) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside the PRC into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(g) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to the quoted market bid and ask prices respectively; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).

31. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management and Fair Values *(continued)*

(g) Fair values of financial instruments (continued)

	2020			2019		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Unlisted equity investments in PRC and Hong Kong at fair value	—	—	5,816	—	—	6,964

The fair value of the unlisted equity investments in PRC was based on the adjusted net asset method. Taken into account the audited net asset value of the private entity as at 31 December 2019 and unaudited net asset value of the private entity as at 30 June 2020, the fair value of the unlisted equity investments in PRC as at 30 June 2020 amounted to approximately RMB5,815,000.

32. COMMITMENTS

(a) Operating leases

The Group as lessor

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

	At 30 June 2020 RMB'000	At 30 June 2019 RMB'000
Within 1 year	2,887	3,103
After 1 year but within 5 years	5,390	9,027
	8,277	12,130

The Group as lessee

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

	At 30 June 2019 RMB'000
Within 1 year	1,893
After 1 year but within 5 years	2,857
	4,750

32. COMMITMENTS *(continued)*

(a) Operating leases *(continued)*

The Group as lessee *(continued)*

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 July 2019 to recognise right-of-use assets and lease liabilities for these leases, except for short-term lease, see notes 2, 18 and 26 for further information.

(b) Capital commitments

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

	2020 **RMB'000**	2019 RMB'000
Contracted for		
— Acquisition of property, plant and equipment	**25**	902
Authorised but not contracted for		
— Acquisition of property, plant and equipment	**—**	—
	25	902

33. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2020 **RMB'000**	2019 RMB'000
Short-term employee benefits	**3,479**	3,418
Contribution to retirement benefit schemes	**29**	30
	3,508	3,448

Total remuneration (excluding directors' remuneration) is included in "staff costs" (see note 10(a)).

34. FINANCIAL POSITION OF THE COMPANY

	Notes	As at 30 June 2020 RMB'000	2019 RMB'000
Non-current assets			
Interests in subsidiaries	(a)	946,089	921,719
Current assets			
Cash and cash equivalents		89	88
Current liabilities			
Other payables and accruals		2,028	1,800
Net current liabilities		(1,939)	(1,712)
NET ASSETS		944,150	920,007
CAPITAL AND RESERVES	(b)		
Share capital		91,360	91,360
Reserves		852,790	828,647
TOTAL EQUITY		944,150	920,007

Approved and authorised for issue by the board of directors on 28 September 2020.

Wong Fun Chung
Executive Director

Cheung Chuen
Executive Director

34. FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) Interests in subsidiaries

	2020 RMB'000	2019 RMB'000
Unlisted equities, at cost	342	342
Amounts due from subsidiaries	945,747	921,377
	946,089	921,719

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.

Details of the Company's subsidiaries at 30 June 2020 and 30 June 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest				Principal activities
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Wide Plus High Precision Automation Limited	Hong Kong	HK$10,000 of 10,000 shares without par value	100%	—	100%	—	Investment holding
Fujian Wide Plus*	PRC	RMB813,714,104	—	100%	—	100%	Manufacture and sale of high precision industrial automation instrument and technology products and multi-functional all plastic quartz watch movements
WP Iot Technology Services (Asean) Limited	Hong Kong	HK$100 of 100 shares without par value	—	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.

34. FINANCIAL POSITION OF THE COMPANY *(continued)*

(b) 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 equity** RMB'000
Balance at 1 July 2018	91,360	941,077	(47,876)	(94,032)	890,529
Change in equity for the year:					
Loss for the year	—	—	—	(7,371)	(7,371)
Other comprehensive income	—	—	36,849	—	36,849
Total comprehensive income	—	—	36,849	(7,371)	29,478
Balance at 30 June 2019	91,360	941,077	(11,027)	(101,403)	920,007
Balance at 1 July 2019	91,360	941,077	(11,027)	(101,403)	920,007
Change in equity for the year:					
Loss for the year	—	—	—	(10,092)	(10,092)
Other comprehensive income	—	—	34,235	—	34,235
Total comprehensive income	—	—	34,235	(10,092)	24,143
Balance at 30 June 2020	91,360	941,077	23,208	(111,495)	944,150

Financial summary

RESULTS

	For the year ended 30 June				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Turnover	158,988	121,211	106,840	132,223	99,206
Loss before taxation	(95,880)	(90,777)	(59,874)	(48,003)	(96,525)
Income tax credit	1,700	1,091	618	521	8,585
Loss attributable to equity shareholders of the Company	(94,180)	(89,686)	(59,256)	(47,482)	(87,940)

ASSETS AND LIABILITIES

	At 30 June				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Non-current assets	585,688	534,011	484,376	429,291	356,206
Current assets	1,591,931	1,550,279	1,543,896	1,544,821	1,528,446
Current liabilities	(67,728)	(63,911)	(70,236)	(61,421)	(57,170)
Net current assets	1,524,203	1,486,368	1,473,660	1,483,400	1,471,276
Total assets less current liabilities	2,109,891	2,020,379	1,958,036	1,912,691	1,827,482
Non-current liabilities	(20,369)	(19,216)	(18,623)	(18,335)	(19,764)
Total equity	2,089,522	2,001,163	1,939,413	1,894,356	1,807,718