中國高精密自動化集團有限公司

CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 591

INTERIM REPORT

2019/2020

HIGHLIGHTS

Turnover of the Group for the six months ended 31 December 2019 amounted to approximately RMB66,052,000, representing a decrease of approximately 6.9% as compared to that of approximately RMB70,924,000 for the corresponding period in 2018;

Loss from operations for the six months ended 31 December 2019 amounted to approximately RMB19,555,000, as compared to that of approximately RMB16,315,000 for the corresponding period in 2018;

Net loss attributable to equity shareholders of the Company for the six months ended 31 December 2019 amounted to approximately RMB19,663,000, as compared to that of approximately RMB16,315,000 for the corresponding period in 2018;

Basic and diluted loss per share were RMB1.90 cents and RMB1.90 cents respectively for the six months ended 31 December 2019;

Shareholders' equity amounted to RMB1,875,975,000 as at 31 December 2019;

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Cheung Chuen, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Cheung Chuen
Mr. Wong Fun Chung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.chpag.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 22,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

591

For the six months ended 31 December 2019
(Expressed in Renminbi Yuan)

RESULTS

The board (the "Board") of directors (the "Directors") of China High Precision Automation Group Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2019 (the "Period") together with the comparative figures for the corresponding period in 2018 and the relevant explanatory notes as follows:

	Note	Six months ended 31 December	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Turnover	3	**66,052**	70,924
Cost of sales		**(65,875)**	(65,456)
Gross profit		**177**	5,468
Other income	4	**3,608**	2,931
Other (loss)/gain, net	4	**(1,175)**	(732)
Distribution costs		**(1,527)**	(1,669)
Administrative expenses		**(19,419)**	(22,313)
Impairment of trade receivables		**(1,219)**	—
Loss from operations		**(19,555)**	(16,315)
Finance costs — Interest expense on lease liabilities		**(108)**	—
Loss before taxation	5	**(19,663)**	(16,315)
Income tax	6	**—**	—
Loss for the period attributable to equity shareholders of the Company		**(19,663)**	(16,315)
Loss per share (RMB cents)			
— basic	7	**(1.90)**	(1.57)
— diluted	7	**(1.90)**	(1.57)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company	**(19,663)**	(16,315)
Other comprehensive income/(expenses) for the period		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**1,282**	2,685
Total comprehensive expenses for the period attributable to equity shareholders of the Company	**(18,381)**	(13,630)

As at 31 December 2019
(Expressed in Renminbi Yuan)

	Note	As at 31 December 2019 RMB'000 (Unaudited)	As at 30 June 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	350,636	371,963
Investment properties		35,702	37,903
Interests in leasehold land held for own use under operating leases		8,162	8,275
Deposits for the purchase of property, plant and equipment		163	451
Rental deposits		203	199
Financial assets at fair value through other comprehensive income		6,964	6,964
Right-of-use assets	2	3,442	—
Deferred tax assets		3,536	3,536
		408,808	429,291
Current assets			
Inventories		41,838	42,870
Trade and other receivables	10	68,547	63,140
Cash and cash equivalents		1,438,804	1,438,811
		1,549,189	1,544,821
Current liabilities			
Trade and other payables	11	59,634	60,887
Lease liabilities	2(d)	1,574	—
Provision for warranties		579	534
		61,787	61,421
Net current assets		1,487,402	1,483,400
Total assets less current liabilities		1,896,210	1,912,691
Non-current liabilities			
Lease liabilities	2(d)	1,900	—
Deferred tax liabilities		18,335	18,335
		20,235	18,335
NET ASSETS		1,875,975	1,894,356
CAPITAL AND RESERVES			
Share capital		91,360	91,360
Reserves		1,784,615	1,802,996
TOTAL EQUITY		1,875,975	1,894,356

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	**Share premium**	**Surplus reserve**	**Other reserve**	**Revaluation reserve**	**Fair value through other compre-hensive Income reserve**	**Exchange reserve**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 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 expenses	—	—	—	—	—	(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 six months ended 31 December 2019:									
Loss for the period	—	—	—	—	—	—	—	**(19,663)**	**(19,663)**
Other comprehensive income	—	—	—	—	—	—	**1,282**	—	**1,282**
Total comprehensive income/(expenses)	—	—	—	—	—	—	**1,282**	**(19,663)**	**(18,381)**
Balance at 31 December 2019	**91,360**	**941,077**	**181,790**	**2,982**	**2,986**	**(356)**	**(18,101)**	**674,237**	**1,875,975**

For the six months ended 31 December 2019
(Expressed in Renminbi Yuan)

	Six months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash used in operations	(3,630)	(8,684)
PRC income tax paid	—	—
Net cash used in operating activities	(3,630)	(8,684)
Net cash generated from investing activities	4,510	4,362
Net cash used in financing activities	(887)	—
Net decrease in cash and cash equivalents	(7)	(4,322)
Cash and cash equivalents at beginning of the period	1,438,811	1,439,211
Cash and cash equivalents at end of the period	1,438,804	1,434,889

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 February 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 30 June 2019 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2019 are available from the Company's registered office. The auditors have expressed a true and fair view on those financial statements in their report dated 27 September 2019.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The group has initially applied HKFRS 16 as from 1 July 2019. The group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. For the group, low-value assets are typically office equipments. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(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.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the group leases out some factory areas 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, when the group acts as an intermediate lessor in a sublease arrangement, the group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the group's financial statements in this regard.

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16, Property, plant and equipment, the group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the group has taken into account that, as the registered owner of a leasehold property, the group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the group's use of the premises, and are typically subject to market rent reviews every 1 to 3 years.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The incremental borrowing rates used for determination of the present value of payments of the two remaining leases was 5.46% and 5.70% respectively.

To ease the transition to HKFRS 16, the group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the group might apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 13(a) as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	1 July 2019 RMB'000
Operating lease commitments disclosed as at 30 June 2019	4,750
Short-term lease	(118)
Effect of discounting	(378)
Lease liabilities recognised as at 1 July 2019	4,254
Of which are:	
— Current lease liabilities	1,724
— Non-current lease liabilities	2,530
	4,254

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(c) ***Transitional impact*** *(continued)*

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 of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

Save for the group has to present right-of-use assets and lease liabilities separately in the statement of financial position, there is no other material impact of the adoption of HKFRS 16 on the group's consolidated statement of financial position.

(d) ***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 31 December 2019		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	1,574	1,618	1,724	1,775
After 1 year but within 2 years	976	1,063	1,163	1,262
After 2 years but within 5 years	924	1,063	1,367	1,595
	1,900	2,126	2,530	2,857
	3,474	3,744	4,254	4,632
Less: total future interest expenses		(270)		(378)
Present value of lease liabilities		3,474		4,254

(Expressed in Renminbi Yuan unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(e) 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 positive impact on the reported profit or 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 cash flow statement, 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. As total cash flows are unaffected and the total cash outflow for relevant leases were approximately RMB887,000 only, the adoption of HKFRS 16 therefore has no significant impact on the cash flow statement.

(Expressed in Renminbi Yuan unless otherwise indicated)

3. TURNOVER

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

Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes. The amount of each significant category of revenue recognised during the period presented is as follows:

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of automation instrument and technology products	**61,055**	69,216
Sales of horological instruments	**4,997**	1,708
	66,052	70,924

During the six months ended 31 December 2019, there was no customer (unaudited) with whom transactions have exceeded 10% of the Group's turnover (six months ended 31 December 2018: 1 (unaudited)).

4. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**2,179**	1,087
Rental income	**1,409**	1,507
Retail sales and income from processing of water meters	**20**	337
	3,608	2,931
Other (loss)/gain, net		
Net foreign exchange loss	**(1,425)**	(1,848)
(Loss)/gain on disposal of property, plant and equipment	**(124)**	1,015
Gain on disposal of investment properties	**374**	101
	(1,175)	(732)

(Expressed in Renminbi Yuan unless otherwise indicated)

5. LOSS BEFORE TAXATION

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

		Six months ended 31 December	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a)	Staff costs:		
	Contributions to defined contribution retirement plans	**867**	998
	Salaries, wages and other benefits	**18,227**	21,152
		19,094	22,150

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 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.

		Six months ended 31 December	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(b)	Other items:		
	Depreciation of property, plant and equipment	**21,448**	22,216
	Depreciation of right-of-use assets	**812**	—
	Amortisation	**113**	113
	Research and development costs	**3,022**	3,689
	Provision for warranties	**45**	13
	Lease charges in respect of properties	**303**	1,223
	Cost of inventories sold*	**65,875**	65,456

* Cost of inventories includes RMB30,925,000 (unaudited) (six months ended 31 December 2018: RMB33,253,000 (unaudited)) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses. The group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(Expressed in Renminbi Yuan unless otherwise indicated)

6. INCOME TAX

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax — PRC Income Tax		
Current period	—	—
Deferred tax		
Current period	—	—
	—	—

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the Period (unaudited) (six months ended 31 December 2018: Nil (unaudited)).

No provision for taxation in the PRC has been made as the Group sustained a tax loss for the current period.

(iii) 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%. On 12 December 2008, 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 to the extent that the profits are likely to be distributed in the foreseeable future.

(Expressed in Renminbi Yuan unless otherwise indicated)

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB19,663,000 (unaudited) (six months ended 31 December 2018: RMB16,315,000 (unaudited)) and the number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2018: 1,037,500,000 ordinary shares (unaudited)) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 31 December 2019 of RMB19,663,000 (unaudited) (six months ended 31 December 2018: loss of RMB16,315,000 (unaudited)) and weighted average number of ordinary shares in issue adjusted for the potential dilutive effects caused by the share options. For the six months ended 31 December 2019 and 31 December 2018, diluted loss per share was equal to the basic loss per share as there was no dilutive potential share outstanding.

	Six months ended 31 December	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares (basic)	**1,037,500**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	**—**	—
Weighted average number of ordinary shares (diluted)	**1,037,500**	1,037,500

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2019 and 2018 is set out below.

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING *(continued)*

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

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**61,055**	69,216	**4,997**	1,708	**66,052**	70,924
Reportable segment loss (adjusted loss from operations)	**(8,956)**	(2,597)	**(8,193)**	(12,170)	**(17,149)**	(14,767)

	Automation instrument and technology products		Horological instruments		Total	
	At 31 December 2019	At 30 June 2019	**At 31 December 2019**	At 30 June 2019	**At 31 December 2019**	At 30 June 2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**366,941**	379,774	**97,544**	103,979	**464,485**	483,753
Addition to non-current segment assets during the six months ended 31 December 2019/year	**291**	1,198	**—**	—	**291**	1,198
Reportable segment liabilities	**14,201**	15,234	**4,684**	467	**18,885**	15,701

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING *(continued)*

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

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**66,052**	70,924
Consolidated turnover	**66,052**	70,924

	Six months ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/Profit		
Reportable segment loss	**(17,149)**	(14,767)
Unallocated head office and corporate (loss)/profit	**(2,514)**	(1,548)
Consolidated loss before taxation	**(19,663)**	(16,315)

	At 31 December 2019	At 30 June 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**464,485**	483,753
Unallocated head office and corporate assets	**1,493,512**	1,490,359
Consolidated total assets	**1,957,997**	1,974,112

(Expressed in Renminbi Yuan unless otherwise indicated)

8. SEGMENT REPORTING *(continued)*

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

	At 31 December 2019 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Audited)
Liabilities		
Reportable segment liabilities	18,885	15,701
Unallocated head office and corporate liabilities	63,137	64,055
Consolidated total liabilities	82,022	79,756

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group acquired items of property, plant and equipment amounting to RMB333,000 (unaudited) (six months ended 31 December 2018: RMB207,000 (unaudited)).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis:

	At 31 December 2019 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Audited)
Neither past due nor impaired (current)	67,297	61,739
Less than 1 month past due	—	—
Trade receivables, net of allowance for doubtful debts	67,297	61,739
Prepayments and other receivables	1,250	1,401
	68,547	63,140

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

(Expressed in Renminbi Yuan unless otherwise indicated)

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

	At 31 December 2019 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Audited)
Due within 1 month or on demand	5,373	5,878
Due after 1 month but within 3 months	7,615	7,359
Due after 3 months but within 6 months	1,196	109
Over 6 months	523	423
Total trade payables	14,707	13,769
Other payables and accruals	44,927	47,118
	59,634	60,887

The credit periods granted by various suppliers are generally 120 days.

12. DIVIDENDS

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

	Six months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
No final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 31 December 2018: Nil (unaudited) per ordinary share)	—	—

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS

(a) Operating leases

The Group as lessor

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

	At 31 December 2019 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Audited)
Within 1 year	3,171	3,103
After 1 year but within 5 years	7,424	9,027
After 5 years	—	—
	10,595	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 (Audited)
Within 1 year	1,893
After 1 year but within 5 years	2,857
After 5 years	—
	4,750

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 lease liabilities relating to these leases (see note 2). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2. The lease of a property located in Hong Kong runs for an initial period of 2 years and the leases of land and properties located in the PRC run for an initial period of 5 to 15 years. The lease have options to renew when all terms are renegotiated. The leases do not include contingent rentals.

(Expressed in Renminbi Yuan unless otherwise indicated)

13. COMMITMENTS *(continued)*

(b) Capital commitments

Capital commitments outstanding as at 31 December 2019 and not provided for in the interim financial report were as follows:

	At 31 December 2019 RMB'000 (Unaudited)	At 30 June 2019 RMB'000 (Audited)
Contracted for:		
— Acquisition of property, plant and equipment	**884**	902
Authorised but not contracted for		
— Acquisition of property, plant and equipment	**—**	—
	884	902

14. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	Six months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term employee benefits	**1,664**	1,827
Contribution to retirement benefit schemes	**11**	11
	1,675	1,838

15. COMPARATIVE FIGURES

The group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MARKET AND BUSINESS REVIEW

During the six months ended 31 December 2019, the Company continued to focus on its principal business of research, development, manufacture and sales of automation instruments. The Company served downstream customers which mainly operate in traditional industries, being fundamental and core industries of the national economy, such as metallurgy, non-ferrous metal, chemicals, power generation, petroleum, construction materials, light industry, water treatment and environmental protection. As of 31 December 2019, due to the generally tightening external economic environment, there were increased combinations of cyclical and structural conflicts and a presence of upward momentum as well as downturn pressure in the industrial economy. As such, on the one hand, there was reduction in the number of new projects in downstream industries, and some projects were either postponed or suspended, which caused a relatively big impact on the market demand for the Company's products and the competition encountered by the Company. On the other hand, with the thriving development and accelerated integration of intelligent manufacturing, "Internet+" and digital economy, industrial strategic emerging industries develop rapidly and the pace of high-end industrialization is noticeable, which enable downstream industries to further implement smart manufacturing projects. This provides rare opportunities for transformation and upgrade, market expansion and the development of high-quality products for the automation instrument industry.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the six months ended 31 December 2019 (the "Period"), sales of high precision industrial automation instrument and technology products amounted to approximately RMB61,055,000 (six months ended 31 December 2018: approximately RMB69,216,000), representing approximately 92.4% (six months ended 31 December 2018: approximately 97.6%) of the Group's total turnover. The Group continued to focus on the production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. Reportable segment loss of this business segment was approximately RMB8,956,000 for the Period as compared to that of approximately RMB2,597,000 for the corresponding period in 2018.

Horological instruments

Sales of horological instruments amounted to approximately RMB4,997,000 (six months ended 31 December 2018: approximately RMB1,708,000), representing approximately 7.6% (six months ended 31 December 2018: approximately 2.4%) of the Group's total turnover during the Period. This segment recorded reportable segment loss of approximately RMB8,193,000 for the period as compared to that of approximately RMB12,170,000 for the corresponding period in 2018.

MANUFACTURING FACILITIES

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

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

PROSPECTS

There has been a continuous pursuit of the PRC in building a strong manufacturing country by implementation of national plans and successive introduction of supporting policies since 2019. These plans and policies have been promoting digitalization and intellectualization transformation and upgrade of manufacturing industries. The development trend of intellectualization transformation of traditional manufacturing enterprises,"internet+advanced manufacturing industries", smart cities and others brings a general demand for intellectualization equipment and services, which has generated extensive applications and room for development for the manufacturing industry of industrial automatic control system installations. The Company will capture the trends in market expansion and technological innovation to enhance its ability to cope with changes.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB66,052,000 for the Period (six months ended 31 December 2018: approximately RMB70,924,000), representing a decrease of approximately 6.9% as compared to that of the corresponding period in 2018. The decrease is mainly due to the decrease in sales of industrial automation instrument products during the Period.

Gross profit and loss from operations

During the Period, the Group's gross profit and loss from operations amounted to approximately RMB177,000 (six months ended 31 December 2018: gross loss approximately RMB5,468,000) and approximately RMB19,555,000 (six months ended 31 December 2018: approximately RMB16,315,000) respectively. We recorded a gross profit which is mainly due to the result of adoption of a series of new product design which effectively lowered the raw material costs.

The segment of automation instrument and technology products recorded a gross profit for the Period. It is mainly due to 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 for the Period while the average unit selling price slightly decreased from RMB1.17 for the six months ended 31 December 2018 to RMB1.10 for the Period. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

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

Net loss

The loss attributable to equity shareholders of the Company for the Period was approximately RMB19,663,000, as compared to that of approximately RMB16,315,000 for the corresponding period in 2018. It was mainly due to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Period were RMB1.90 cents (six months ended 31 December 2018: both RMB1.57 cents).

Capital Structure, Liquidity and Financial Resources

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

As at 31 December 2019, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,438,804,000 (30 June 2019: approximately RMB1,438,811,000), approximately RMB1,487,402,000 (30 June 2019: approximately RMB1,483,400,000) and approximately RMB1,896,210,000 (30 June 2019: approximately RMB1,912,691,000) respectively.

Borrowings

As at 31 December 2019, the Group had no bank borrowings (30 June 2019: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 31 December 2019 decreased by approximately RMB18,381,000 to approximately RMB1,875,975,000 (30 June 2019: approximately RMB1,894,356,000).

Gearing ratio

The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group as at 31 December 2019 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 (the "Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK$1,043,000,000 (the "Net Proceeds") will mainly be utilized as follows:

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

Up to 31 December 2019, the Group has utilized the Net Proceeds as follows:

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

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES AND SHARE OPTION SCHEME

As at 31 December 2019 the Group employed a total of 553 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 Period, the employment cost (including Directors' emoluments) amounted to approximately RMB19,094,000 (six months ended 31 December 2018: approximately RMB22,150,000).

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. During the Period, no option was granted, exercised, cancelled or lapsed under the Scheme. The Scheme expired on 13 November 2019.

CHARGE ON ASSETS

As at 31 December 2019, 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 31 December 2019.

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 affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Period and will continue to closely monitor such risk exposures from time to time.

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital expenditure contracted for but not provided in the interim financial report amounted to approximately RMB884,000 (30 June 2019: approximately RMB902,000).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (30 June 2019: Nil).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2019

There was no important events affecting the Group which have occurred during the period from 1 January 2020 to the date of this interim report.

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

As at 31 December 2019, 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 required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

	Number of ordinary shares and underlying 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 31 December 2019, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above and in the section headed "Share Option Scheme" below, as at 31 December 2019, so far as is known to any Directors or chief executive of the Company, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations" above) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the ordinary shares of the Company:

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

Note:

1. As at 31 December 2019, the total number of issued shares of the Company was 1,037,500,000.

Save as disclosed above, as at 31 December 2019, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Scheme on 28 October 2009, the principal terms of which are set out in note 27 to the 2019 annual financial statements of the Group. The Scheme expired on 13 November 2019. Pursuant to the Scheme, there was no outstanding option at the beginning of the six months period ended 31 December 2019 and on the date the Scheme expired. During the Period, no share option was granted, exercised, cancelled or lapsed.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Code Provision A.2.1

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 as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

REMUNERATION COMMITTEE

As at 31 December 2019 and the date of this interim report, the remuneration committee of the Board (the "Remuneration Committee") comprises three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman. The Remuneration Committee is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION COMMITTEE

The Group established a nomination committee (the "Nomination Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. As at 31 December 2019 and the date of this interim report, the Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its chairman.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") since 2008 with written terms of reference which are in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company's financial information, and to perform other duties and responsibilities as assigned by the Board. As at 31 December 2019 and the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is its Chairman.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results and this interim report for the six months ended 31 December 2019, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The Audit Committee considered that the preparation of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM FINANCIAL REPORT

The Company's 2019 interim results announcement and this interim report has been published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.chpag.net.

SUSPENSION OF TRADING

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

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

Hong Kong, 26 February 2020