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**CHINA HIGH PRECISION AUTOMATION GROUP** **LIMITED**

**中國高精密自動化集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 591)**

**RESUMPTION OF TRADING**

This announcement is made by China High Precision Automation Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements of the Company dated (i) 26 September 2011 (the “**Annual Results Announcement**”) in relation to the Company’s annual results for the year ended 30 June 2011 (the “**2011 Annual Results**”); (ii) 27 October 2011 in relation to clarification made in respect of the Annual Results Announcement (the “**Clarification Announcement**”); (iii) 29 November 2011 in relation to the retirement of KPMG as auditors of the Company; (iv) 22 February 2012 in relation to the appointments of Zhonglei Risk Advisory Services Limited (“**Zhonglei**”) for independent review and investigation (the “**Independent Review**”) and Pan-China (H.K.) CPA Limited (“**Pan-China**”) for special audit (the “**1st Special Audit**”) of the 2011 Annual Results; (v) 2 August 2012 in relation to further clarification made in respect of the 2011 Annual Results and resumption of trading of the Company’s shares (the “**Shares**”) (the “**Further Clarification Announcement**”); and (vi) 22 August 2012, 20 February 2013, 15 September 2017, 1 August 2018, 19 June 2019, 30 April 2021 and 30 July 2021 in relation to the suspension of trading of the Shares on 22 August 2012 at the direction of the Securities and Futures Commission (“**SFC”**) pursuant to sections 8(1)(a) and 8(1)(c) of the Securities and Futures (Stock Market Listing) Rules (the “**Suspension**”).

The Company has been communicating with the SFC to seek resumption of trading of the Company’s shares on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The SFC sets out a requirement for the resumption that an announcement is to be issued by the Company which should contain disclosures to explain what happened in years 2010-11 leading to the suspension of trading, any unresolved uncertainties and why resumption of trading is now appropriate.

# BACKGROUND

Fujian Wide Plus Precision Instrument Co Ltd (“**FWP**”) is a wholly-owned subsidiary of the Company established in the People’s Republic of China (the “**PRC**”). To the best knowledge, information and belief of the directors of the Company (the “**Directors**”), certain products of FWP were and are used in aerospace projects in the PRC, and involve state secrets under the provisions of the Law of the People’s Republic of China on the Guarding State Secrets (中華人民共和國保守國家秘密法) (the ‘‘**PRC State Secrets Law**’’) and the PRC State Secrets Regulations (the “**State Secrets Regulations**”) in terms of technology and technical specifications of such products.

Owing to such business nature of FWP, the Company needed to address the uncertainties and questions of concerned parties including the Stock Exchange and the SFC as to (i) whether FWP’s business involves state secrets; and (ii) any inconsistencies contained in the Group’s accounts and information independently obtained by the concerned parties in relation to the 2011 Annual Results. As a result, trading of the Shares was suspended on the Stock Exchange on 27 October 2011 at the request of the Company pending the release of an announcement in respect of such price sensitive information. Trading resumed on 3 August 2012 after publication of several announcements which sought to explain the issue of state secrets and the inconsistencies in the accounts, but was suspended again subsequently at the direction of the SFC under the Suspension on 22 August 2012. Further details of the Suspension are set out in the paragraph headed “**Circumstances leading up to the Suspension**” and the uncertainties raised by concerned parties and the relevant explanations are set out in the paragraph headed “**Explanation to the issues and reasons for the resumption of trading**” below.

# CIRCUMSTANCES LEADING UP TO THE SUSPENSION

After publication of the Annual Results Announcement by the Company on 26 September 2011, the Company’s then auditors, KPMG, informed the Company that it obtained a report from its agent in relation to the financial information of FWP for 2010, which they alleged the source of data was mainly from the filings of Fuzhou Economic and Technological Development Zone Administration for Industry and Commerce (福州經濟技術開發區工商行政管理局) (“**Fuzhou AIC**”) and were inconsistent with FWP’s accounting records. Accordingly, KPMG requested to conduct an extended audit of FWP’s accounts for the year ended 30 June 2011.

According to the opinion of the Company’s legal adviser as to the laws of the PRC and the relevant governmental agency of the PRC, the additional supporting documents required by KPMG (the “**Additional Information**”) were classified as state secrets under the provisions of the PRC State Secrets Law. The Company was therefore unable to satisfy KPMG’s request for obtaining the Additional Information since it would result in violation of the PRC State Secrets Law.

Since KPMG was unable to obtain the Additional Information to finalise the auditor’s report, the Company announced on 27 October 2011 in the Clarification Announcement that KPMG issued a disclaimer of opinion (the extract of which was set out in the Clarification Announcement) in the auditor’s report (the “**Auditor’s Report**”), and that trading in the Shares on the Stock Exchange, which was suspended earlier pending the release of the Clarification Announcement, would remain suspended.

## Events and work done by the Company prior to the Suspension

On 18 November 2011, an independent special committee of the Company (the “**Special Committee**”) was established to evaluate the impact of the disclaimer of opinion of the Auditor’s Report.

On 29 November 2011, the Company announced that KPMG retired as auditors of the Group with effect from the conclusion of the annual general meeting of the Company held on the same date and did not stand for re-appointment as auditor of the Company.

On 22 February 2012, the Company announced that the Special Committee had appointed Zhonglei to perform the Independent Review, and Pan-China to perform the 1st Special Audit on the consolidated financial statements of the Group for the year ended 30 June 2011 in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as to whether the consolidated financial statements of the Group for the year ended 30 June 2011 gave a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. The Independent Review and the 1st Special Audit were completed on 30 July 2012.

In respect of the Independent Review, among others, it was found that: (i) the PRC State Secrets Bureau had confirmed that the business of FWP involved state secrets, and in the course of audit or investigation, FWP was obliged to comply with the PRC State Secrets Law and other applicable regulations and must not disclose or supply information which involves state secrets; and (ii) no significant contradiction was found between Zhonglei’s findings and the Company’s explanation that the discrepancies between the information contained in the accounting records and certain governmental platforms in the PRC were caused by compliance with the PRC State Secrets Law, whereby such information was subject to processing by the relevant PRC governmental departments.

As for the 1st Special Audit, among others, Pan-China concluded that it was satisfied that sufficient audit work had been done to address the inconsistencies raised by KPMG and that there was no evidence to conclude that there were irregularities in the turnover and business transactions of the Group as reported in the annual report for the 2011 Annual Results. Therefore, it issued an unqualified audit opinion that the financial statements in the annual report for the 2011 Annual Results reflected a true and fair view of the state of the affairs of the Group. Further details of the work done and findings of Zhonglei as well as the audit work and Special Audit report of Pan-China are set out in the Further Clarification Announcement.

On 2 August 2012, the Company issued the Further Clarification Announcement setting out in summary the findings from Zhonglei’s Independent Review and Pan-China’s 1st Special Audit. The Group also obtained a second legal opinion, which stated that the PRC State Secrets Bureau had confirmed that the business of FWP involved state secrets, and in the course of audit or investigation, FWP was obliged to comply with the PRC State Secrets Law and other applicable regulations and must not disclose or supply information which involves state secrets.

It was also stated in the Further Clarification Announcement that after reviewing, *inter alia*, the report of the Independent Review and the 1st Special Audit and the PRC legal opinion, the Special Committee was satisfied that the Group’s financial statements were true and correct in all material respects.

In light of the findings of the Independent Review and the 1st Special Audit, the Board applied to the Stock Exchange for resumption of trading in its Shares on 3 August 2012. The application was approved by the Stock Exchange and trading of the Shares resumed from 9:00 a.m. on 3 August 2012.

# THE SUSPENSION

### Letter from the SFC

On 20 August 2012, the Company received a letter (the “**SFC Letter**”) from the SFC’s Enforcement Division (the “**SFC ENF**”) indicating its intention to direct the Suspension. In the SFC Letter, SFC ENF raised various concerns in relation to the management and/or operation of the Group, including, *inter alia*, the following:

1. *Inconsistencies alleged by KPMG.* The inconsistencies identified by KPMG between the information contained in the Group’s accounting records and information allegedly sourced from filings of Fuzhou AIC obtained through its agent (“**Alleged Inconsistencies**”) and their impact on the Group’s 2011 Annual Results were not addressed in the Further Clarification Announcement.
2. *Another set of alleged filings.* A set of records was obtained by the SFC through its agent sourced from Fuzhou AIC (the “**Earlier AIC Report**”). The Earlier AIC Report and the documents contained substantially different financial information for 2010 from the information contained in the AIC report obtained by Zhonglei during its Independent Review and FWP’s 2010 accounts audited by a local auditor. As the Stock Exchange had not seen the Earlier AIC Report (the existence of which was not known to the Company) and was not appraised about the difference in adjustment of turnover figure made by Mawei Financial and Technical District Committee below (馬尾經濟技術區管委會) (“**Mawei Bureau**”), the concern was that the resumption was allowed by the Listing Division of the Stock Exchange without having full access to all relevant information known to the Company and they were denied the opportunity to fully assess the credibility of the Company’s explanations.
3. *Company’s explanations fail to account for difference in turnover figures.* FWP filed financial information with Mawei Bureau. The turnover for 2010 represented by Mawei Bureau was materially higher than the turnover recorded in FWP’s accounting records. If governmental platforms were stripping out transactions over which state secrecy claims had been made, then the turnover represented by the Mawei Bureau ought to have been lower than the turnover amount claimed in FWP’s management accounts, and not higher.
4. *State secrets.* The Clarification Announcement and the Further Clarification Announcement contained no substantiation of the claim that the business of FWP involved state secrets.
5. Whether all the discrepant information has been the subject of a full audit in accordance with applicable standards.

On 21 August 2012, the Company replied to SFC ENF on the issues raised and stated, inter alia, that the Earlier AIC Report was not issued by Fuzhou AIC and questioned the authenticity and the source of the Earlier AIC Report. The Company explained that the discrepancies were due to compliance with the State Secret Law and that according to their understanding, the Mawei Bureau could adjust the amount of financial information being filed not only by exclusion, but also by increasing the amount according to their own judgment or directions from other governmental departments in order to comply with the State Secret Laws.

On the same day, SFC ENF replied to the Company that the Company’s assertion of the Mawei Bureau being able to not only exclude but to adjust the Company’s financial information upwards raised additional difficulties and questions, and that the Company’s response failed to address SFC’s concerns. Therefore, on 22 August 2012, the SFC directed the Suspension.

### Events and work done by the Company subsequent to the Suspension

On 11 September 2012, Fuzhou AIC issued a written confirmation to confirm that between 1 January 2011 and 10 September 2012, all documents filed by FWP with Fuzhou AIC had not been browsed by anyone apart from FWP.

On 24 March 2016, as per SFC ENF’s request, the Company engaged Pan-China to conduct a further special audit on the Group’s financial statements for the 2011 Annual Results in accordance with the applicable standards issued by the HKICPA (the “**2nd Special Audit**”). The scope of the 2nd Special Audit covered the alleged discrepancies identified by KPMG and the SFC ENF.

In or about late June 2016, the Company received a letter from Pan-China, in which it was stated that Pan-China attended Fuzhou AIC to retrieve all FWP’s financial records (the “**Official AIC Records**”) from 2003 (i.e. the year of incorporation of FWP) to 2012 and found that apart from the inconsistency in FWP’s turnover between FWP’s accounts and the Official AIC Records for 2010 and 2011, there were no other inconsistencies. Moreover, the information contained in the Official AIC Records were consistent with that in the AIC report obtained by Zhonglei during the 1st Special Audit.

In or about late July 2016, Pan-China further informed the Board of the Company that they had performed all the necessary audit procedures which Pan-China considered appropriate and they are of the view that their audit opinion given during the 1st Special Audit remains unchanged.

### Application for Resumption of Trading

On 7 November 2019, the Company applied for resumption of trading of the Shares by submitting its representations to the SFC’s Board pursuant to section 9(1) of the Securities and Futures (Stock Market Listing) Rules (the “**SMLR**”) (the “**Resumption Application**”). After a meeting before the SFC’s Board on 21 August 2020 and further representations made by the Company, the SFC’s Board indicated that it was minded to permit trading in the Shares under section 9(3) of the SMLR subject to the publication of this announcement.

# EXPLANATION TO THE ISSUES AND REASONS FOR THE RESUMPTION OF TRADING

#### Authenticity and the source of the Earlier AIC Report could not be substantiated

1. On 11 September 2012, Fuzhou AIC confirmed in writing that between 1 January 2011 and 10 September 2012, all documents filed by FWP with Fuzhou AIC had not been browsed by anyone apart from FWP;
2. SFC ENF had conducted further enquiries on the provenance and authenticity of the Earlier AIC Report but the result was inconclusive. The possibility that the Earlier AIC Report might not be genuine therefore could not be ruled out; and
3. On 27 June 2016, Pan-China informed the Company in writing that it attended Fuzhou AIC to retrieve all Official AIC Records from 2003 to 2012 and found that apart from the inconsistency in the turnover of FWP between FWP’s accounts and the Official AIC Records for the years 2010 and 2011, there were no other inconsistencies.

#### Difference in financial information explained

After the Suspension, the Company sought further clarification from Mawei Bureau through the Administration for the Protection of State Secrets of Fujian Province (福建省國家保密局) and found that adjustments of financial information of FWP by Mawei Bureau was calculated by the Mawei Bureau in accordance with a statistic formula called “產值五年不變價” (five year unchanged price) (“**Statistic Formula**”), regardless of whether FWP’s business involves state secrets or not.

The Statistic Formula was used for calculating the productivity of a particular year after eliminating the impact of price changes and was used for statistical purpose only. It was essentially an average price based on price indices of a particular product/services and fixed for a period of 5 years (hence ‘five year unchanged price’), with the years ending “0” or “5” used as the base years.

FWP’s industrial sales income filed with the Mawei Bureau was calculated by multiplying FWP’s factual annual production for each product by the “Five Year Unchanged Price”. The “industrial sales income” and “turnover” have different nature and hence are not comparable. The 2010 factual annual production for each product filed by FWP with the Mawei Bureau had been verified by Pan-China during its 2nd Special Audit with reference to the relevant supporting documents, and after their checking, they were satisfied that the production figures were the same as the figures recorded in the Group’s accounting records.

#### The reliability of the 2nd Special Audit and the Alleged Inconsistencies relating to the bank balances

Pan-China had had access to all of the correspondence between KPMG and the Group and no matter relating to the correspondence affected the audit result pursuant to the applicable auditing standards.

Pan-China has informed the Company that when it conducted the 2nd Special Audit, it reviewed its audit work done on the bank balances performed in the 1st Special Audit and considered that the audit evidence they had obtained in the 1st Special Audit was sufficient and appropriate and no additional works thereon was required in the 2nd Special Audit. Pan-China also did not find any inconsistencies in relation to the Group’s bank balances.

#### Turnover discrepancies reconciled

During the 2nd Special Audit, Pan-China reconciled the difference in turnover between FWP’s financial records and the Official AIC Records as being related to sales to two customers that the transactions had to be stripped out from PRC governmental public information platforms under the prevailingPRC State Secrets Law.

Among others, Pan-China has informed the Company that it had verified the amounts of sales of the two customers and after their checking, they were satisfied that the sales figures were the same as the figures recorded in the Group’s accounting records.

#### Ability to carry out audits as a result of the Group’s state secrets business

The Group currently conducts businesses involving state secrets. Accordingly, the Group is required to comply with the PRC State Secrets Law and the State Secrets Regulations. However, compliance with PRC State Secrets Law and State Secrets Regulations will not render the Group’s financial performance not fully scrutinised or audited in accordance with the applicable Hong Kong accounting standards, nor will it cause the Group to find itself unable to comply with the relevant statutory provisions and regulations and the Listing Rules.

This is because the PRC State Secrets Law and the PRC State Secrets Regulations only require the Group not to disclose the technical specifications and the technology involved in the products sold by the Group to the relevant governmental departments, as well as the personnel involved in the projects involving state secrets. It does not set any restriction on the audit or disclosure of financial information of the Group.

Furthermore, inconsistencies in financial information created by adjustments required under the PRC State Secret Laws will no longer occur as FWP has been granted a waiver from the relevant PRC governmental departments so that no adjustments need to be made to the operating data reported by FWP and also, according to the prevailing relevant laws and regulations, FWP no longer has any qualification to enter into contracts involving state secret products with the PRC military.

Furthermore, Pan-China has given a confirmation to the Company (which also has been provided to the SFC) that it has all along been able to obtain sufficient appropriate audit evidence to conclude that the financial statements of the Group as a whole are free from material misstatements, and that despite the fact that some of the Group’s business involves state secrets, it is able to perform its audit of the Company’s accounts in accordance with the relevant Hong Kong auditing standards since it does not require the Additional Information for their audits under the relevant Hong Kong auditing standards.

4F. Appointment of new auditor and audited consolidated financial statements and the reports of the Directors and of the independent auditors of the Company for the year ended 30 June 2022

1. Pursuant to the announcement of the Company dated 6 June 2022, Pan-China resigned as the auditor of the Company with effect from 6 June 2022 as Pan-China had decided to withdraw from engagement of any services in PIE (Public Interest Entity) audits due to limitation of its manpower availability. Pan-China confirmed that there were no circumstances connected with its resignation that need to be brought to the attention of the shareholders or creditors of the Company.
2. On 29 June 2022, Crowe (HK) CPA Limited (‘‘**Crowe (HK)**’’) has been appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Pan-China and to hold office until conclusion of the next annual general meeting of the Company. Crowe (HK) was re-appointed as the auditor on 16 December 2022 in the annual general meeting of the Company.
3. Audited consolidated financial statements and the reports of the Directors and of the independent auditors of the Company for the year ended 30 June 2022 were published on 25 October 2022 in the Group’s annual report dated 30 September 2022.
4. On 2 April 2022, China Securities Regulatory Commission has published the “Draft for Comments regarding the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies” (关于加强境内企业境外发行证券和上市相关保密和档案管理工作的规定（征求意见稿）) (“**Draft Provisions**”). As advised by the Company’s legal adviser as to the laws of the PRC, if the Draft Provisions are implemented in the form as set out therein, it will not affect the Group’s duty and ability to prepare the consolidated financial statements in accordance with the relevant accounting standards. It was announced on 24 February 2024 that the Draft Provisions would be substantially implemented as the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies” (关于加强境内企业境外发行证券和上市相关保密和档案管理工作的规定) (the “**Provisions**”) and such Provisions will come into effect on 31 March 2023. The Company’s legal adviser as to the laws of the PRC further confirmed that the Provisions will not affect the Group’s duty and ability to prepare the consolidated financial statements in accordance with the relevant accounting standards.
5. As confirmed by Crowe (HK), in conducting and having completed the audit for the consolidated financial statements of the Group for the year ended 30 June 2022, Crowe (HK) had confirmed that it was not aware of any scope limitation in performing its audit procedures in accordance with the Hong Kong Standards of Auditing (“**HKSAs**”) issued by Hong Kong Institute of Certified Public Accountants despite the fact that some of the Group’s business involves state secrets. Also Crowe (HK) was not aware of any significant matters that would preclude them from complying with the HKSAs.

Therefore, the Company is confident that its auditors will continue to be able to conduct audits in accordance with the relevant HKSAs after resumption of trading of the Shares.

In light of the above, the Company considers that SFC’s concerns have already been addressed by the Company.

# RESUMPTION OF TRADING OF THE SHARES

Trading in the shares of the Company has been suspended since 9:30 a.m. on 22 August 2012.

On 7 November 2019, the Company applied for resumption of trading of the Shares pursuant to section 9(1) of the Securities and Futures (Stock Market Listing) Rules.

The SFC has notified the Stock Exchange that the trading in the Shares will be permitted to recommence pursuant to section 9(3) of the Securities and Futures (Stock Market Listing) Rules with effect from 9:00 a.m. on 26 April 2023.

By order of the Board

**China High Precision Automation Group Limited**

**Wong Fun Chung**

*Chairman*

Hong Kong, 25 April 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Fun Chung, Mr. Zou Chong, Mr. Su Fang Zhong and Mr. Cheung Chuen, and the independent non-executive Directors of the Company are Ms. Ji Qin Zhi, Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor.*