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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2024

HIGHLIGHTS

1. Revenue decreased by 1.6%;
2. Loss from operations increased by 52.9%;
3. Net loss attributable to owners of the Company increased by 44.3%; and
4. Both basic and diluted loss per share were RMB3.16 cents.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2024 (the “Year”), together with the comparative figures for the preceding financial year ended 30 June 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	3	139,203	141,536
Cost of sales and services rendered		<u>(104,177)</u>	<u>(106,542)</u>
Gross profit		35,026	34,994
Other income		3,617	6,872
Other losses, net		(238)	(2,723)
Distribution expenses		(3,365)	(2,604)
Administrative expenses		(57,815)	(60,680)
Fair value (loss)/gain on investment properties		(7,223)	2,041
Reversal of write-down on inventories		251	634
Impairment loss on property, plant and equipment		(3,200)	—
Impairment loss on trade receivables recognised under expected credit loss model, net		<u>(289)</u>	<u>(268)</u>
Loss from operations		(33,236)	(21,734)
Finance costs	5	<u>(32)</u>	<u>(22)</u>
Loss before taxation	6	(33,268)	(21,756)
Income tax credit/(expense)	7	<u>533</u>	<u>(936)</u>
Loss for the year attributable to owners of the Company		<u>(32,735)</u>	<u>(22,692)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share	9		
— Basic and diluted		<u>(3.16)</u>	<u>(2.19)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 30 June 2024

(Expressed in Renminbi Yuan)

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	<u>(32,735)</u>	<u>(22,692)</u>
Other comprehensive income/(expense), net of tax		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation	5,089	72,779
Fair value change on financial assets at fair value through other comprehensive income (“FVTOCI”)	<u>2,742</u>	<u>824</u>
	<u>7,831</u>	<u>73,603</u>
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	<u>(5,000)</u>	<u>(70,316)</u>
Other comprehensive income for the year	<u>2,831</u>	<u>3,287</u>
Total comprehensive expense for the year attributable to owners of the Company	<u><u>(29,904)</u></u>	<u><u>(19,405)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Expressed in Renminbi Yuan)

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		188,767	213,857
Right-of-use assets		7,213	6,923
Investment properties		27,562	34,785
Financial assets at FVTOCI		38,595	5,370
Deferred tax assets		11,833	12,442
		<u>273,970</u>	<u>273,377</u>
Current assets			
Inventories		17,566	21,265
Trade and other receivables	10	71,980	74,839
Bank balances and cash		1,417,002	1,444,580
		<u>1,506,548</u>	<u>1,540,684</u>
Current liabilities			
Trade and other payables	11	70,420	73,921
Lease liabilities		524	174
Provision for warranties		570	550
		<u>71,514</u>	<u>74,645</u>
Net current assets		<u>1,435,034</u>	<u>1,466,039</u>
Total assets less current liabilities		<u>1,709,004</u>	<u>1,739,416</u>

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current liabilities		
Lease liabilities	151	—
Deferred tax liabilities	18,165	18,824
	<u>18,316</u>	<u>18,824</u>
NET ASSETS	<u>1,690,688</u>	<u>1,720,592</u>
CAPITAL AND RESERVES		
Share capital	91,360	91,360
Reserves	1,599,328	1,629,232
	<u>1,690,688</u>	<u>1,720,592</u>
TOTAL EQUITY	<u>1,690,688</u>	<u>1,720,592</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal business of the Company is Room 703, 7/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of and provision of consigned processing services on high precision industrial automation instrument and technology products, and manufacturing and selling of multi-functional all plastic quartz watch movements.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1 July 2023 for the preparation of the consolidated financial statements.

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The Group has not applied any new or amendments to HKFRSs that is not yet effective for the current accounting period. The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements ⁵
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁵
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 21	Lack of Exchangeability ³
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ Effective for annual periods beginning on or after 1 January 2026.

⁵ Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company are in the process of assessing the potential impacts from the new and amendments to HKFRSs that have been issued but not yet effective for the current year and will disclose further information once the reasonably estimated effect is available.

3 REVENUE

Disaggregation of the Group's revenue from contracts with customers for the years ended 30 June 2024 and 2023 is as follows:

Types of goods and services	Segments	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Sales of automation instrument and technology products	Automation instrument and technology products	135,689	137,434
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	3,392	3,511
Sales of horological instruments	Horological instruments	122	591
Goods and services		<u>139,203</u>	<u>141,536</u>

During the years ended 30 June 2024 and 2023, all the revenue from contracts with customers is recognised at a point in time and were mainly arisen in the PRC.

4 SEGMENT REPORTING

Segment results represent the loss of each segment without allocation of bank interest income, unallocated corporate income, unallocated corporate expenses, fair value (loss)/gain on investment properties, unallocated impairment loss on property, plant and equipment, unallocated finance costs and income tax credit/(expense). This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the year ended 30 June 2024

	Automation instrument and technology products <i>RMB'000</i>	Horological instruments <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>139,081</u>	<u>122</u>	<u>139,203</u>
Reportable segment loss	<u>(14,009)</u>	<u>(6,023)</u>	<u>(20,032)</u>

For the year ended 30 June 2023

	Automation instrument and technology products <i>RMB'000</i>	Horological instruments <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>140,945</u>	<u>591</u>	<u>141,536</u>
Reportable segment loss	<u>(13,236)</u>	<u>(5,466)</u>	<u>(18,702)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2023: Nil).

Reconciliations of reportable segment revenue and profit or loss

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>139,203</u>	<u>141,536</u>
Revenue	<u>139,203</u>	<u>141,536</u>
Profit or loss		
Reportable segment loss	(20,032)	(18,702)
Bank interest income	2,873	3,789
Fair value (loss)/gain on investment properties	(7,223)	2,041
Unallocated impairment loss on property, plant and equipment	(219)	—
Unallocated finance costs	(32)	(22)
Unallocated head office and corporate income	764	3,074
Unallocated head office and corporate expenses	<u>(9,399)</u>	<u>(11,936)</u>
Loss before taxation	(33,268)	(21,756)
Income tax credit/(expense)	<u>533</u>	<u>(936)</u>
Loss for the year	<u>(32,735)</u>	<u>(22,692)</u>

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered or the services were rendered.

	Revenues from external customers	
	2024 RMB'000	2023 RMB'000
PRC, excluding Hong Kong	138,776	141,501
Others	427	35
	<u>139,203</u>	<u>141,536</u>

5 FINANCE COSTS

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	<u>32</u>	<u>22</u>

6 LOSS BEFORE TAXATION

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

	2024 RMB'000	2023 RMB'000
Other items		
Depreciation of property, plant and equipment	22,701	23,703
Depreciation of right-of-use assets	744	769
Research and development costs recognised as expense	7,878	11,958
Auditor's remuneration		
— Audit services	2,002	1,924
— Non-audit services	28	27
Lease payments not included in the measurement of lease liabilities	116	478
Cost of sales and services rendered	104,177	106,542
Gross rental income from investment properties	(3)	(1,483)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	—	215
	(3)	(1,268)
Reversal of write-down on inventories	(251)	(634)

7 INCOME TAX (CREDIT)/EXPENSE

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax — the PRC		
Provision for the year	—	—
Deferred tax	<u>(533)</u>	<u>936</u>
	<u><u>(533)</u></u>	<u><u>936</u></u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made for both years as the Group does not have assessable profits in Hong Kong.

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

Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise (“ANTE”) that meets the conditions according to the Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. An indirect wholly-owned subsidiary of the Company, Fujian Wide Plus Precision Instrument Co., Ltd. (“Fujian Wide Plus”) was recognised as an ANTE as approved by the relevant authorities. No provision for taxation in the PRC has been made as Fujian Wide Plus sustained a tax loss for the years ended 30 June 2024 and 2023.

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

8 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the years ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB32,735,000 (2023: RMB22,692,000) and the weighted average number of 1,037,500,000 ordinary shares (2023: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

For the years ended 30 June 2024 and 2023, there was no dilutive potential ordinary share outstanding. Therefore, the dilutive loss per share is the same as the basic loss per share.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for impairment losses of approximately RMB6,677,000 (2023: RMB6,388,000), of approximately RMB69,486,000 (2023: RMB72,348,000) and an aged analysis based on invoice date at the end of the reporting period, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–60 days	28,619	26,278
61–120 days	23,689	24,185
121–180 days	17,178	21,885
	<u>69,486</u>	<u>72,348</u>

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

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately RMB14,735,000 (2023: RMB26,344,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–30 days	7,785	14,853
31–90 days	6,241	10,855
91–180 days	110	31
Over 180 days	599	605
	<u>14,735</u>	<u>26,344</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As of 30 June 2024, the principal business of the Group continues to be the research and development, manufacture and sales of automation instruments. Under the impact of the macroeconomic situation, certain downstream markets of the Group including but not limited to the petroleum and petrochemical industries, were facing a certain adjustment cycle. The gradually keen market competition has brought greater pressure on the Company's market expansion.

During the Year, in response to the impact of complex and severe unfavorable factors, the national and local governments actively introduced a series of policies to stimulate the deep integration of the digital economy with advanced manufacturing industries and modern service industries. The Company proactively identified market opportunities, made use of the advantages of complete product lines and leading product quality, diligently explored new growth points in the industry, continuously fueled technological innovation and new product development in order to adapt to the ever-evolving market demands and ensure the achievement of business objectives with its advanced technical strength and reliable product quality.

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, revenue from the sales and consigned processing services on high precision industrial automation instrument and technology products amounted to approximately RMB139,081,000 (2023: approximately RMB140,945,000), representing approximately 99.9% (2023: approximately 99.6%) of the Group's total revenue. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. This segment recorded reportable segment loss of approximately RMB14,009,000, as compared to that of approximately RMB13,236,000 in 2023.

The increase in segment loss for the Year is mainly due to the recognition of approximately RMB2,629,000 impairment losses on property, plant and equipment during the Year because of the decrease in sales as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industry of automation instrument and technology products.

Horological instruments

Sales of horological instruments were approximately RMB122,000 (2023: approximately RMB591,000), which accounts for approximately 0.1% (2023: approximately 0.4%) of the Group's total revenue during the Year. This segment recorded reportable segment loss of approximately RMB6,023,000, as compared to that of approximately RMB5,466,000 in 2023.

The increase in segment loss for the Year is mainly due to the recognition of RMB352,000 impairment losses on property, plant and equipment during the Year because of the decrease in sales as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industry of horological instruments.

MANUFACTURING FACILITIES

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

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

PROSPECTS

The industrial automation control system device manufacturing industry is positively correlated with the macroeconomy. The cyclical fluctuations of the macroeconomy and downstream industries with strong cyclical cycles will correspondingly affect our industry. However, the industrial automation control system device manufacturing industry continues to offer a diverse variety of products with broad application fields. In addition to capital expenditures such as new major projects, downstream fields continue to show a stable demand for industrial automation control system devices in respect of production capacity replacement and upgrades, technological modifications, maintenance and repairs, and spare parts, etc.

The Company is a leading enterprise in the domestic industrial automation control system device manufacturing industry. In the future, along with the in-depth implementation of industrial foundation reengineering projects and research projects on major technologies and equipment in China, the demand for domestically produced mid-to-high-end instruments in major projects and key areas of downstream industries will continue to rise. Enterprises within the industry with independent innovation capabilities will be better positioned to grasp the guidance of national policies, pool high quality resources, accelerate the advancement of key core technologies, promote more new breakthroughs in technologies in the industry and achieve industrialization, which will be beneficial for the healthy and sustainable development of the industry.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately RMB139,203,000 for the Year (2023: approximately RMB141,536,000), representing a decrease of about 1.6% as compared to that of last year. The decrease is mainly due to the decrease in sales of automation instrument and technology products and horological instruments, as a result of unexpected diminishing demand from certain downstream markets of the Group and keen market competition within the industries of (i) automation instrument and technology products; and (ii) horological instruments, under stagnant global economy. The sluggish global economy also brought greater pressure on the Group's market expansion as a result of the delay in the commencement of large-scale projects in the PRC.

Gross profit and loss from operations

During the Year, the Group's gross profit and loss from operations amounted to approximately RMB35,026,000 (2023: approximately RMB34,994,000) and approximately RMB33,236,000 (2023: approximately RMB21,734,000) respectively. The slight increase in gross profit is mainly due to the changes in product mix and improvements made on the production to enhance the gross profit margin even though the direct material cost of steel increased. The loss from operations included (i) a loss on fair value of investment properties of approximately RMB7,223,000 (2023: gain on fair value of investment properties of approximately RMB2,041,000) due to the deterioration of property market in the PRC during the year and (ii) an impairment loss on property, plant and equipment of approximately RMB3,200,000 (2023: Nil) due to the decrease in sales as a result of factors described above.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB35,003,000 for the Year, as compared to that of approximately RMB35,119,000 in 2023. It is mainly due to the result of adoption of a series of new product design which effectively lowered the adverse effect of the increased material cost of steel.

The segment of horological instruments recorded a gross profit of approximately RMB23,000 for the Year, as compared to that of gross loss of approximately RMB125,000 in 2023. The Group adjusts the selling prices from time to time, if necessary, to maintain its market share in the intensely price competitive market.

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

Loss attributable to owners of the Company

The loss attributable to owners of the Company (the “Shareholders”) for the Year was approximately RMB32,735,000, as compared to that of approximately RMB22,692,000 in 2023. It was mainly attributable to the factors as mentioned above.

Loss per share

Both the basic and diluted loss per share for the Year were RMB3.16 cents (2023: both RMB2.19 cents).

Capital structure, liquidity and financial resources

The Group has adopted a prudent financial management approach towards its funding and treasury policies and obligations. The Group had maintained a healthy liquidity position throughout the Year. To manage liquidity risks, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements from time to time.

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

As at 30 June 2024, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,417,002,000 (2023: approximately RMB1,444,580,000), approximately RMB1,435,034,000 (2023: approximately RMB1,466,039,000) and approximately RMB1,709,004,000 (2023: approximately RMB1,739,416,000), respectively.

Borrowings

As at 30 June 2024, the Group had no bank borrowings (2023: Nil).

Equity

Total equity attributable to owners of the Company as at 30 June 2024 decreased by approximately RMB29,904,000 to approximately RMB1,690,688,000 (2023: approximately RMB1,720,592,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 30 June 2024 was approximately 0.05 (2023: approximately 0.05).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

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

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

Up to 30 June 2024, the Group has utilised the Net Proceeds as follows:

1. Approximately HK\$652 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$207 million were used for research and development efforts;
3. Approximately HK\$45 million were used for network development and sales support services; and
4. Approximately HK\$4 million were used for the Group's information system development.

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

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 30 June 2024, the Group employed a total of 436 employees (2023: 473). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration package within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB38,340,000 (2023: approximately RMB37,712,000).

The emolument policy of the Group and the basis of determining the directors' emolument are set out in the section headed "Remuneration Committee" on page 20.

CHARGE ON ASSETS

As at 30 June 2024, the Group did not have any charges on its assets (2023: Nil).

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

The Group had no future plans for material investments or capital assets as at 30 June 2024.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENT

As at 30 June 2024, the Group had no capital expenditure contracted for but not provided in the consolidated financial statements (2023: Nil)

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (2023: Nil).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the Year (2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there are no important events affecting the Group which have occurred since the end of the Year and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year, except for the deviation from the Code Provision C.2.1 and D.1.2 of the CG Code as described below.

Code provision C.2.1

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

Code provision D.1.2

According to Code provision D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates on the Company's performance, position and prospects. During the Year, instead of monthly updates, the management has provided to the Board half-yearly updates containing consolidated financial statements with summaries of key events and outlook of the Group for the pertaining period for review and discussion in the Board meetings concerned. In addition, the management will provide to the Board with updates in a timely manner if there are material events affecting the performance, position and prospects of the Company. Accordingly, it is considered that the purpose of providing regular updates on the Company's performance, position and prospects can be achieved.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors.

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

REMUNERATION COMMITTEE

The Group established its remuneration committee (the "Remuneration Committee") since 2008 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. The Remuneration Committee comprises all three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

The Group established its audit committee (the “Audit Committee”) since 2008 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting system, internal control and risk management systems as well as the internal audit function, to review and monitor the audit process, to review the Group’s financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2024.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming annual general meeting of the Company (“AGM”) will be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.chpag.cn.

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Wednesday, 11 December 2024 to Monday, 16 December 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 10 December 2024.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chpag.cn.

The annual consolidated financial results of the Group for the Year have been reviewed by the Audit Committee and are extracted from the annual consolidated financial statements for the Year to be included in the 2024 annual report of the Company.

The 2024 annual report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 30 September 2024

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