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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

Reference is made to the annual report for the year ended 30 June 2024 (the “**2024 Annual Report**”) of China High Precision Automation Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) and the prospectus of the Company dated 2 November 2009 (the “**Prospectus**”), in relation to the use of net proceeds raised from the Share Offer (the “**Net Proceeds**”). Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the context requires otherwise.

In addition to the information disclosed in the 2024 Annual Report, the board of directors (the “**Board**”) of the Company would like to provide the shareholders of the Company and the potential investors with the following supplementary information.

USE OF PROCEEDS FROM THE SHARE OFFER

As disclosed in the 2024 Annual Report, the Company raised Net Proceeds of approximately HK\$1,043 million from the Listing, and, up to 30 June 2024, the unutilised Net Proceeds from the Listing was approximately HK\$31 million (the “**Unutilised Proceeds**”).

UNUTILISED PROCEEDS AND THE REVISED ALLOCATION

The table below sets out (i) the updated intended utilisation of Net Proceeds as at the date of this announcement, (ii) the utilisation of the Net Proceeds from the Listing up until 30 June 2024, (iii) proceeds utilised for the year ended 30 June 2024, and (iv) the amount of the Unutilised Proceeds as of 30 June 2024 and the date of this announcement:

Intended purposes of Net Proceeds (the “Intended Purposes”)	Intended utilisation of Net Proceeds <i>HK\$ million</i>	Updated intended utilisation of Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Utilised proceeds up to 30 June 2024 <i>HK\$ million</i>	Proceeds utilised for the year ended 30 June 2024 <i>HK\$ million</i>	Proceeds unutilised as of 30 June 2024 <i>HK\$ million</i>	Proceeds unutilised as of the date of this announcement <i>HK\$ million</i>
Establishment of production facilities for new products	711	652	652	—	—	—
Research and development efforts	129	238	207	11	31	29
Network development and sales support services	81	45	45	—	—	—
Information system development	18	4	4	—	—	—
General working capital	104	104	104	—	—	—

Note:

As at 30 June 2024, the Unutilised Proceeds were deposited with certain licensed banks in the PRC and is denominated in either USD or RMB and may therefore be subject to exchange rate variations at the relevant time.

REASONS FOR AND BENEFITS OF THE REALLOCATION OF PROCEEDS

After a lapse of 15 years following the Listing, the (i) establishment of production facilities for new products, (ii) network development and sales support services and (iii) information system development, for which the Unutilised Proceeds was originally intended, were completed within the allocated amount of Net Proceeds for each of these Intended Purposes. As at 30 June 2024, the Group had utilised approximately HK\$207 million of the Net Proceeds for its research and development efforts, which is approximately HK\$78 million more than the original allocation of the Net Proceeds as disclosed in the Prospectus. It is because some mid-to-long term research and development projects of the Group such as solution metal ion analyzers ended up with a higher budget than the original budget due to inflation and the progress of such research and development projects from time to time. As a result, the Company shifted and reallocated its Net Proceeds within the Intended Purposes accordingly.

The principal business of the Group is research and development, manufacture and sales of automation instruments. The impact of the COVID-19 Pandemic, the slowing global economic growth and the continual delay of commencement of large-scale projects (particularly for the petroleum and petrochemical industries) in the PRC has curtailed the progress of the Group's business development over the last few years. The Board believes that the reallocation of the Unutilised Proceeds will provide higher level of flexibility for the Group to manage its business plans against the current unstable business environment and enable the Group to capture other business opportunities for the Group's revenue growth.

As at the date of this announcement, the Company intends to utilise the Unutilised Proceeds for the Group's research and development efforts. Due to the rapid changes in the industrial automation control system device manufacturing market, with the aim of swiftly advancing automation instrument technology to replace existing inefficient technologies and drive the market towards sustainable development, the Group has invested significant resources in research and development over the past years. After due and careful consideration of the current business environment and development needs of the Group, the Board is of the view that remaining balance of the Unutilised Proceeds originally intended for (i) the establishment of production facilities for new products, (ii) network development and sales support services and (iii) information system development shall be allocated to the Group's research and development efforts to support its continuously fueled technological innovation and new product development such as intelligent multi-parameter flowmeter, aerospace special high-temperature valve, liquid level sensor for propellant filling, and intelligent water quality sensing system for aquaculture within the next five years in order to adapt to the ever-evolving market demands and ensure the achievement of the Group's business objectives with its advanced technical strength and reliable product quality.

Save for the aforementioned reallocation, there is no other change in the Intended Purposes and use of the Unutilised Proceeds.

The Board considers that the aforementioned reallocation (i) is fair and reasonable as this will allow the Group to deploy its financial resources more effectively and will be more favourable to the Group's long term business development as well as a better utilisation of the Unutilised Proceeds; (ii) is in line with the business strategies of the Group; (iii) will not adversely affect the Group's business operations; and (iv) is in the interests of the Group and the Shareholders as whole. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. Going forward, the Company will not deviate from the above plan unless it has announced the change in use of Net Proceeds in advance.

The Company expects that the Unutilised Proceeds will be fully utilised by the end of 2030. The expected timeline of full utilisation of the Unutilised Proceeds is based on the Directors' best estimation of the current business market conditions and may be subject to change based on the future development of the market conditions. Should there be any material change in the intended use of the Unutilised Proceeds, the Company will make appropriate announcement(s) in due course.

The information provided in this supplemental announcement does not affect other information contained in the 2024 Annual Report. Save as disclosed above, the contents of the aforementioned report remain unchanged.

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

Hong Kong, 17 February 2025

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, Mr. Chan Yuk Hiu, Taylor and Dr. Huang Shizhen.