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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2024 (the “Period”) together with the comparative figures for the corresponding period in 2023 and the relevant explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31 December 2024 — unaudited
(Expressed in Renminbi Yuan)

		Six months ended	
		31 December	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	116,273	72,536
Cost of sales and services rendered		<u>(70,794)</u>	<u>(54,382)</u>
Gross profit		45,479	18,154
Other income	4	1,263	1,719
Other gain, net	4	456	878
Distribution expenses		(1,841)	(2,000)
Administrative expenses		<u>(29,533)</u>	<u>(24,418)</u>
Profit/(loss) from operations		15,824	(5,667)
Finance costs — Interest on lease liabilities		<u>(14)</u>	<u>(13)</u>
Profit/(loss) before taxation	5	15,810	(5,680)
Income tax expense	6	<u>—</u>	<u>—</u>
Profit/(loss) for the period attributable to owners of the Company		<u>15,810</u>	<u>(5,680)</u>
Earning/(loss) per share			
— Basic and diluted (RMB cents per share)	7	<u>1.52</u>	<u>(0.55)</u>

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

*For the six months ended 31 December 2024 — unaudited
(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	15,810	(5,680)
Other comprehensive (expense)/income for the period, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	(4,709)	(19,573)
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>4,624</u>	<u>18,873</u>
Other comprehensive expense for the period	<u>(85)</u>	<u>(700)</u>
Total comprehensive income/(expense) for the period attributable to owners of the Company	<u><u>15,725</u></u>	<u><u>(6,380)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024 — unaudited

(Expressed in Renminbi Yuan)

		As at 31 December 2024	As at 30 June 2024
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	177,698	188,767
Right-of-use assets		6,846	7,213
Investment properties		27,562	27,562
Financial assets at fair value through other comprehensive income (“FVTOCI”)		38,595	38,595
Deferred tax assets		11,833	11,833
		<u>262,534</u>	<u>273,970</u>
Current assets			
Inventories		18,086	17,566
Trade and other receivables	10	80,131	71,980
Bank balances and cash		1,440,978	1,417,002
		1,539,195	1,506,548
Current liabilities			
Trade and other payables	11	76,147	70,420
Lease liabilities		414	524
Provision for warranties		590	570
		77,151	71,514
Net current assets		1,462,044	1,435,034
Total assets less current liabilities		1,724,578	1,709,004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2024 — unaudited**(Expressed in Renminbi Yuan)*

	As at 31 December 2024 RMB'000 (Unaudited)	As at 30 June 2024 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	—	151
Deferred tax liabilities	<u>18,165</u>	<u>18,165</u>
	<u>18,165</u>	<u>18,316</u>
NET ASSETS	<u>1,706,413</u>	<u>1,690,688</u>
CAPITAL AND RESERVES		
Share capital	91,360	91,360
Reserves	<u>1,615,053</u>	<u>1,599,328</u>
TOTAL EQUITY	<u>1,706,413</u>	<u>1,690,688</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2024 — unaudited

(Expressed in Renminbi Yuan)

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	Other reserve RMB'000	Revaluation reserve RMB'000	FVOCI reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
Balance at 1 July 2023	91,360	941,077	181,790	2,982	2,986	(1,885)	(19,202)	521,484	1,720,592
Changes in equity for the year ended 30 June 2024:									
Loss for the year	—	—	—	—	—	—	—	(32,735)	(32,735)
Exchange differences arising on translation	—	—	—	—	—	—	89	—	89
Fair value change in financial assets at FVTOCI	—	—	—	—	—	2,742	—	—	2,742
Total comprehensive income/ (expense) for the year	—	—	—	—	—	2,742	89	(32,735)	(29,904)
Balance at 30 June 2024 and 1 July 2024	91,360	941,077	181,790	2,982	2,986	857	(19,113)	488,749	1,690,688
Changes in equity for the six months ended 31 December 2024:									
Profit for the Period	—	—	—	—	—	—	—	15,810	15,810
Exchange differences arising on translation	—	—	—	—	—	—	(85)	—	(85)
Total comprehensive (expense)/ income for the period	—	—	—	—	—	—	(85)	15,810	15,725
Balance at 31 December 2024	91,360	941,077	181,790	2,982	2,986	857	(19,198)	504,559	1,706,413

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 31 December 2024 — unaudited**(Expressed in Renminbi Yuan)*

	Six months ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from/(used in) operations	23,299	(9,324)
Income taxes paid	—	—
Net cash generated from/(used in) operating activities	23,299	(9,324)
Net cash generated from/(used in) investing activities	1,247	(28,645)
Net cash (used in)/generated from financing activities	(570)	2,944
Net increase/(decrease) in cash and cash equivalents	23,976	(35,025)
Cash and cash equivalents at beginning of the period	1,417,002	1,444,580
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,440,978	1,409,555

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim financial information 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 28 February 2025.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, 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 information 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 2024 annual financial statements. The condensed consolidated interim financial information 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 2024 that is included in the interim financial information 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 2024 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 30 September 2024.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new standards, amendments and interpretations that are first effective, available for early adoption or not yet mandatorily effective for the current accounting period of the Group. Of these, the following developments may be relevant to the Group:

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

These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

Disaggregation of the Group's revenue from contracts with customers for the six months ended 31 December 2024 and 2023 is as follows:

		Six months ended 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Types of goods	Segments		
Sales of automation instrument and technology products	Automation instrument and technology products	108,345	72,536
Consigned processing services on automation instrument and technology products	Automation instrument and technology products	7,928	—
Sales of horological instruments	Horological instruments	—	—
		116,273	72,536

During the Period, all the revenue from contracts with customers is recognised at a point in time and were mainly arisen in the People's Republic of China (the "PRC").

4. OTHER INCOME AND OTHER GAIN, NET

	Six months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1,130	1,445
Rental income	52	115
Government grants	101	166
Provision for warranties recognised	(20)	(22)
Service income	—	15
	<u>1,263</u>	<u>1,719</u>
Other gain, net		
Net foreign exchange gain	102	876
Gain on disposal of property, plant and equipment, net	354	2
	<u>456</u>	<u>878</u>

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(a) Staff costs:		
Contributions to defined contribution retirement plans	1,252	1,049
Salaries, wages and other benefits	16,879	16,198
	<u>18,131</u>	<u>17,247</u>

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK\$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The Group had no forfeited contributions under the Defined Contribution Scheme and the MPF Scheme which may be used to reduce the existing level of contributions during the Period (2023: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the Period (2023: Nil).

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(b) Other items:		
Depreciation of property, plant and equipment	11,306	11,303
Depreciation of right-of-use assets	367	379
Research and development costs recognised as expense	1,793	1,690
Lease payments not included in the measurement of lease liabilities	6	107
Cost of sales and services rendered	70,794	54,382
	<u>70,794</u>	<u>54,382</u>

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	—	—
Deferred tax	—	—
	<u>—</u>	<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 periods 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 Period.

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.

7. EARNING/(LOSS) PER SHARE

(a) Basic earning per share

The calculation of basic earning per share is based on the profit attributable to owners of the Company of approximately RMB15,810,000 (unaudited) (six months ended 31 December 2023: Loss RMB5,680,000 (unaudited)) and the weighted average number of 1,037,500,000 ordinary shares (unaudited) (six months ended 31 December 2023: 1,037,500,000 ordinary shares (unaudited)) in issue during the Period.

(b) Diluted earning per share

For the Period, there was no dilutive potential ordinary share outstanding. Therefore, the dilutive earning per share is the same as the basic earning per share.

8. SEGMENT REPORTING

The following is an analysis of the Group’s revenue and results by operating and reportable segments under HKFRS 8 “Operating Segments” (“HKFRS 8”), based on information reported to the Company’s executive directors, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods delivered. The Group’s operating and reportable segments under HKFRS 8 are as follows:

<i>Automation instrument and technology products:</i>	the manufacturing and selling of and provision of consigned processing services on intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments
<i>Horological instruments:</i>	the manufacture and selling of multi-functional all-plastic quartz watch movements

(a) Segment results, assets and liabilities

For the purposes of monitoring segment performances and allocating resources between segment:

- all assets are allocated to reportable segments other than financial assets at FVTOCI, investment properties, deferred tax assets, cash and cash equivalents and other corporate assets;
- all liabilities are allocated to reportable segments other than deferred tax liabilities and other corporate liabilities; and
- Segment results represent the loss of each segment without allocation of bank interest income, unallocated corporate income, unallocated corporate expenses, change in fair value on investment properties, unallocated finance costs and income tax expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

For the six months ended 31 December	Automation instrument and technology products		Horological instruments		Total	
	2024	2023	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	<u>116,273</u>	<u>72,536</u>	<u>—</u>	<u>—</u>	<u>116,273</u>	<u>72,536</u>
Reportable segment profit/(loss) (adjusted profit/(loss) from operations)	<u>26,118</u>	<u>(1,487)</u>	<u>(3,730)</u>	<u>(3,825)</u>	<u>22,388</u>	<u>(5,312)</u>
	Automation instrument and technology products		Horological instruments		Total	
	At	At	At	At	At	At
	31 December	30 June	31 December	30 June	31 December	30 June
	2024	2024	2024	2024	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	<u>249,911</u>	<u>251,890</u>	<u>2,618</u>	<u>2,726</u>	<u>252,529</u>	<u>254,616</u>
Addition to non-current segment assets during the six months ended 31 December 2024/year	<u>591</u>	<u>513</u>	<u>—</u>	<u>—</u>	<u>591</u>	<u>513</u>
Reportable segment liabilities	<u>22,092</u>	<u>18,322</u>	<u>—</u>	<u>—</u>	<u>22,092</u>	<u>18,322</u>

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

	Six months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	<u>116,273</u>	<u>72,536</u>
Revenue	<u><u>116,273</u></u>	<u><u>72,536</u></u>
Profit or loss		
Reportable segment profit/(loss)	22,388	(5,312)
Unallocated head office and corporate income/(expenses)	<u>(6,578)</u>	<u>(368)</u>
Profit/(loss) before taxation	<u><u>15,810</u></u>	<u><u>(5,680)</u></u>
Assets		
Reportable segment assets	252,529	254,616
Unallocated head office and corporate assets		
— Investment properties	27,562	27,562
— Financial assets at FVTOCI	38,595	38,595
— Deferred tax assets	11,833	11,833
— Bank and cash balances	1,440,978	1,417,002
— Other corporate assets	<u>30,232</u>	<u>30,910</u>
Consolidated total assets	<u><u>1,801,729</u></u>	<u><u>1,780,518</u></u>

	At 31 December 2024 <i>RMB'000</i> (Unaudited)	At 30 June 2024 <i>RMB'000</i> (Audited)
Liabilities		
Reportable segment liabilities	22,092	18,322
Unallocated head office and corporate liabilities		
— Deferred tax liabilities	18,165	18,165
— Other corporate liabilities		
— Amount due to a related party	13,568	13,863
— Other payables and accruals	41,491	39,480
	<u>73,224</u>	<u>53,343</u>
Consolidated total liabilities	<u>95,316</u>	<u>89,830</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment amounting to approximately RMB591,000 (unaudited) (six months ended 31 December 2023: RMB89,000 (unaudited)).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables with the following ageing analysis, based on invoice date, net of allowance:

	At 31 December 2024 <i>RMB'000</i> (Unaudited)	At 30 June 2024 <i>RMB'000</i> (Audited)
0–60 days	27,545	28,619
61–120 days	27,006	23,689
121–180 days	22,904	17,178
	<u>77,455</u>	<u>69,486</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

	At 31 December 2024 <i>RMB'000</i> (Unaudited)	At 30 June 2024 <i>RMB'000</i> (Audited)
Trade payables	17,945	14,735
Other payables and accruals	44,634	41,822
Amount due to a related party (<i>note</i>)	13,568	13,863
	<u>76,147</u>	<u>70,420</u>

Note: The amount represents temporary fund advanced from Mr. Wong Shek, the son of Mr. Wong Fun Chung, who is the chairman of the Board, an executive Director and the chief executive officer of the Company. The amount is unsecured, interest-free and repayable on demand.

As of the end of the Period, the ageing analysis of trade payables, based on the invoice date, is as follows.

	At 31 December 2024 <i>RMB'000</i> (Unaudited)	At 30 June 2024 <i>RMB'000</i> (Audited)
0–30 days	10,508	7,785
31–90 days	6,808	6,241
91–180 days	115	110
Over 180 days	514	599
	<u>17,945</u>	<u>14,735</u>

The credit periods granted by various suppliers are generally 120 days. All of the trade and other payables are expected to be settled within one year.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the six months ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As at 31 December 2024, the principal business of the Group remained research and development, manufacture and sales of automation instruments. The industrial automation instrument market faced certain notable pressures and challenges driven by the macroeconomic environment, including the global economic growth deceleration and increased material cost and labour cost.

Despite facing these impacts and challenges, the Group managed to maintain a sustained and stable development trend by accelerating the progress of domestic substitution of our core products in the downstream industries. This was achieved through the development of cost-effective improvements and alternatives to the existing products, as well as strengthening innovation and technological advancement in our products. For the six months ended 31 December 2024, the Group recorded a solid revenue growth and gross profit growth, which had increased by approximately 60.3% and 150.5% respectively compared to the same period last year.

SEGMENT INFORMATION

The Group has the following two business segments.

Automation instrument and technology products

During the Period, revenue derived from the sales of high precision industrial automation instrument and technology products amounted to approximately RMB116,273,000 (six months ended 31 December 2023: approximately RMB72,536,000), representing 100.0% (six months ended 31 December 2023: 100.0%) 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 profit of this business segment was approximately RMB26,118,000 for the Period as compared to a loss of approximately RMB1,487,000 for the corresponding period in 2023.

Horological instruments

Revenue derived from the sales of horological instruments amounted to nil (six months ended 31 December 2023: nil), representing nil (six months ended 31 December 2023: nil) of the Group's total turnover during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. This business segment recorded reportable segment loss of approximately RMB3,730,000 for the Period as compared to that of approximately RMB3,825,000 for the corresponding period in 2023.

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

As a leading enterprise in the domestic industrial automatic control system device manufacturing industry, the Group's downstream sectors are primarily process industries, including key pillars of the national economy such as petrochemicals, metallurgy, electric power, coal, light industry, building materials, municipal utilities and environmental protection, as well as new energy. The policies recently introduced by the central and local governments, particularly those aimed at promoting equipment digital upgrades in order to drive modernization and efficiency improvement, will create a positive impact to the process industry signified by the chemical engineering sector. With the implementation of these policies towards industrial equipment, particularly on the transformation of equipment upgrades, digitalization and smart manufacturing of instrumentation, the Group is well-positioned to benefit from these government-supported policies as well as the capital expenditure of the downstream sectors, which is expected to drive a sustainable growth in this evolving industrial landscape.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately RMB116,273,000 for the Period (six months ended 31 December 2023: approximately RMB72,536,000), representing an increase of approximately 60.30% as compared to that of the corresponding period in 2023. The increase is mainly due to the increase in sales of industrial automation instrument products as well as the consigned processing services on automation instrument and technology products. Although the Group's revenue is showing signs of recovery, sluggish economic growth continues to present diverse challenges for industrial automation instruments.

Gross profit and profit from operations

During the Period, the Group's gross profit and profit from operations amounted to approximately RMB45,479,000 (six months ended 31 December 2023: approximately RMB18,154,000) and approximately RMB15,824,000 (six months ended 31 December

2023: loss approximately RMB5,667,000) respectively. The increase in gross profit is mainly due to the increase in sales of industrial automation instrument products as well as the consigned processing services on automation instrument and technology products.

The segment of automation instrument and technology products recorded a gross profit of approximately RMB45,479,000 for the Period (six months ended 31 December 2023: approximately RMB18,154,000). The increase is mainly due to the increase in sales of industrial automation instrument products as well as the consigned processing services on automation instrument and technology products.

The segment of horological instruments recorded no sales during the Period due to decrease in market demand as a result of intense market competition under stagnant global economy. 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 recorded a profit from operations.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the Period was approximately RMB15,810,000, as compared to a loss of approximately RMB5,680,000 for the corresponding period in 2023. It was mainly due to increase in sales of industrial automation instrument products as well as the consigned processing services on automation instrument and technology products and the factors as mentioned above.

Earning per share

Both the basic and diluted earning per share for the Period were RMB1.52 cents (six months ended 31 December 2023: both loss RMB0.55 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 Period. 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 Period, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2024, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,440,978,000 (30 June 2024: approximately RMB1,417,002,000), approximately RMB1,462,044,000 (30 June 2024: approximately RMB1,435,034,000) and approximately RMB1,724,578,000 (30 June 2024: approximately RMB1,709,004,000) respectively.

Borrowings

As at 31 December 2024, the Group had no bank borrowings (30 June 2024: Nil).

Equity

Total equity attributable to owners of the Company as at 31 December 2024 increased by approximately RMB15,725,000 to approximately RMB1,706,413,000 (30 June 2024: approximately RMB1,690,688,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities divided by total equity) of the Group as at 31 December 2024 was approximately 0.06 (30 June 2024: 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 amounted to approximately HK\$1,043,000,000. The following table sets forth the status of the updated intended utilisation of net proceeds in accordance with the announcement dated 17 February 2025 (the "Announcement"), utilised net proceeds up to 30 June 2024, utilised net proceeds from 1 July 2024 to 31 December 2024 and unutilised net proceeds as of 31 December 2024:

	Updated intended utilisation of net proceeds as disclosed in the Announcement <i>HK\$ million</i>	Utilised net proceeds up to 30 June 2024 <i>HK\$ million</i>	Net proceeds utilised for the six months ended 31 December 2024 <i>HK\$ million</i>	Net proceeds unutilised as of 31 December 2024 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Establishment of production facilities for new products	652	652	—	—	N/A
Research and development efforts	238	207	2	29	By end of 2030
Network development and sales support services	45	45	—	—	N/A
Information system development	4	4	—	—	N/A
General working capital	104	104	—	—	N/A
Total	<u>1,043</u>	<u>1,012</u>	<u>2</u>	<u>29</u>	

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

SIGNIFICANT INVESTMENTS

The Group held no significant investment during the Period.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES

As at 31 December 2024 the Group employed a total of 445 employees (30 June 2024: 436). 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 Period, the employment cost (excluding Directors' emoluments) amounted to approximately RMB18,131,000 (six months ended 31 December 2023: approximately RMB17,247,000).

Training activities are provided to staff, which included new employees orientation, technical training, professional skill enhancement training, safety training, external classes, regular voluntary firemen training, training seminars and expat training.

CHARGE ON ASSETS

As at 31 December 2024, the Group did not have any charges on its assets (30 June 2024: 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 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 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 2024, the Group had no capital expenditure contracted for but not provided in the interim financial report (30 June 2024: Nil).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (30 June 2024: Nil).

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2024 (six months ended 31 December 2023: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 31 DECEMBER 2024

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 13 February 2025, the Company adopted a share option scheme (the "Share Option Scheme"). The summary of the Share Option Scheme is set out in a circular to the shareholders of the Company dated 22 January 2025. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other relevant rules and regulations. As at the date of this announcement, the total number of shares in respect of which share options may be grant under the Share Option Scheme was 103,750,000, representing 10% of the issued shares (excluding treasury shares, if any) of the Company as at such date. As at the date of this announcement, no share options had been granted or agreed to be granted pursuant to the Share Option Scheme.

Save as disclosed above, there was no important events affecting the Group which have occurred during the period from 1 January 2025 to the date of this announcement.

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 "CG Code") contained in Appendix C1 to the Listing Rules during the Period, except for the deviation from code provisions 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 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.

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 Period, 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

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

Having made specific enquiries of all Directors, all 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 2024 and the date of this announcement, the remuneration committee of the Board (the “Remuneration Committee”) comprises four independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi, Dr. Huang Shizhen and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Remuneration Committee. The Remuneration Committee is primarily responsible for, among other things, 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 has 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, among other things, 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 2024 and the date of this announcement, the Nomination Committee comprises four independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi, Dr. Huang Shizhen and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Nomination Committee.

AUDIT COMMITTEE

The Board has 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, among other things, 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 2024 and the date of this announcement, the

Audit Committee comprises four independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi, Dr. Huang Shizhen and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed, with the management, the unaudited interim results for the six months ended 31 December 2024, 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 2024 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

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company at www.chpag.cn. The interim financial report of the Company for the six months ended 31 December 2024 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 28 February 2025

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