2024 ANNUAL REPORT

鷹普精密工業有限公司

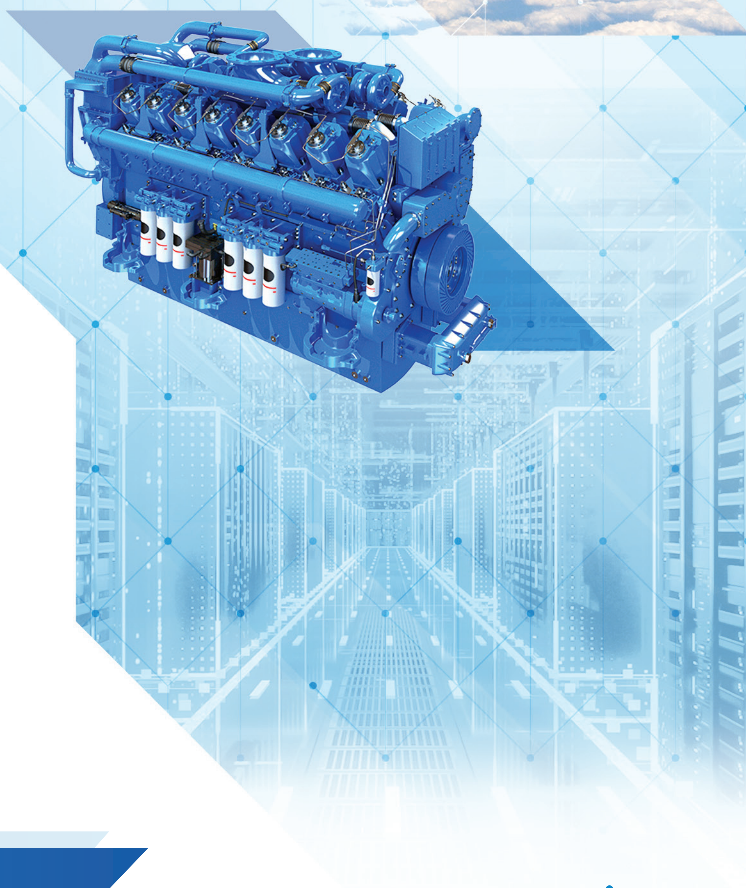
Impro Precision Industries Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1286

CONTENTS

This annual report is printed on environmentally friendly paper.



ABOUT US

Impro Mission

To be the global leader in high precision, high complexity, mission-critical components and solutions, and to be a reliable, flexible and global business partner to industry leaders.

Impro Vision

To be an enterprise truly valued by our customers, stockholders, employees, and the society at large.

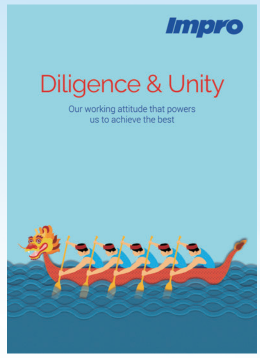
IMPRO CORE VALUES

Integrity and Credibility

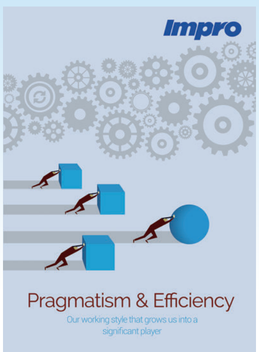
It means following through on the promises we make, and conducting business ethically and responsibly. At Impro, this is a critical element of everything we do. It guides our every action and reinforces our commitment to honesty, transparency, business ethics and regulatory compliance, both within our company and in the outside world.

Diligence and Unity

It means not only committing to one's work but also ensuring that the work one does is done thoroughly. It also means that collaboration is our route to success. We believe that creating team– based work will enable individuals to contribute in their areas of strength and improve in areas where development is needed. At Impro, Diligence underlies all of our work processes; through Unity, we can achieve more than through working alone.



Pragmatism and Efficiency



It means being practical in all situations, driving towards results and minimizing non-value added activities. At Impro, Pragmatism is the roadmap to execution, and Efficiency drives all of our actions. It frames the way we view our path forward and enables us to achieve results by seeing each challenge as it really is. It means that we minimize waste of all sorts, including duplicate processing or downtime.

Pursuit of Excellence and Innovation

It means always paying careful attention to detail, looking for ways to improve on activities done in the past and challenging conventions and thinking outside of the box in all areas of the business. At Impro, the Pursuit of Excellence sets us apart. We're committed to putting all our efforts into every task we undertake, and making sure that we strive for perfection. Innovation allows us to reframe problems and see solutions that others may not see. It is the way we continuously improve.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. LU Ruibo
(Chairman and Chief Executive Officer)
Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)
Mr. YU Yuepeng
Ms. ZHU Liwei
Mr. WANG Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Kwok Kuen Harry
(resigned with effect from 31 December 2024)
Dr. YEN Gordon
Mr. LEE Siu Ming
Mrs. CHOW Lok Mei Ki Cindy
(appointed with effect from 31 December 2024)

AUDIT COMMITTEE

Mr. YU Kwok Kuen Harry *(Chairman)*
(resigned with effect from 31 December 2024)
Mrs. CHOW Lok Mei Ki Cindy *(Chairperson)*
(appointed with effect from 31 December 2024)
Dr. YEN Gordon
Mr. LEE Siu Ming

REMUNERATION COMMITTEE

Mr. LEE Siu Ming *(Chairman)*
Mr. YU Kwok Kuen Harry
(resigned with effect from 31 December 2024)
Mr. LU Ruibo
Mrs. CHOW Lok Mei Ki Cindy
(appointed with effect from 31 December 2024)

NOMINATION COMMITTEE

Mr. LU Ruibo *(Chairman)*
Dr. YEN Gordon
Mr. LEE Siu Ming

SUSTAINABILITY COMMITTEE

Dr. YEN Gordon *(Chairman)*
Mr. LEE Siu Ming
Mr. YU Yuepeng
Ms. ZHU Liwei
Mr. WANG Dong

AUTHORIZED REPRESENTATIVES

Mr. LU Ruibo
Mr. IP Wui Wing Dennis

COMPANY SECRETARY

Mr. IP Wui Wing Dennis, *CPA*

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 803, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 18, Furong Road 5
Xishan Economy Development Zone
Wuxi City, Jiangsu Province
PRC

CORPORATE INFORMATION

LEGAL ADVISER AS TO HONG KONG LAW

Morgan, Lewis & Bockius
19th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Limited
Bank of Jiangsu Co., Ltd.
China Construction Bank (Asia) Corporation Limited
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited Hong Kong Branch

WEBSITE

www.improprecision.com

IR RELATIONS

ir@impro.com.hk

STOCK CODE

1286

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

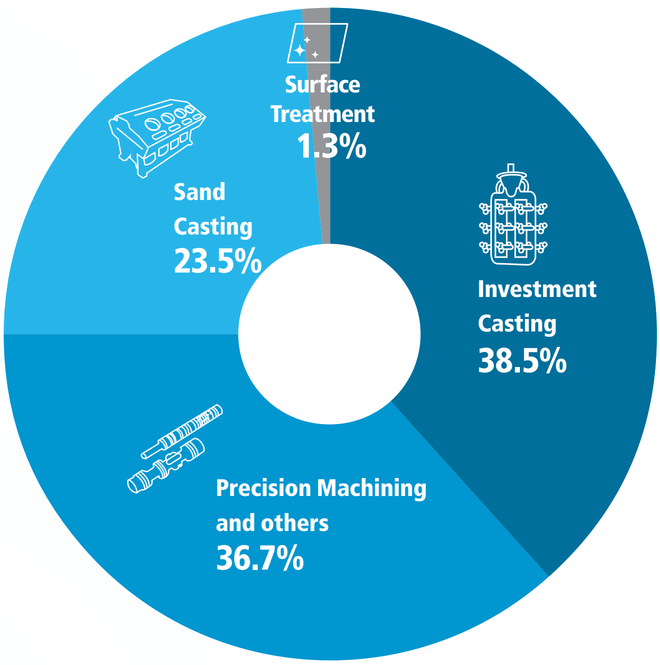
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE PROFILE

Impro Precision Industries Limited was founded in 1998 in Wuxi City and its global headquarters was moved to Hong Kong in 2011. The Group is a global top 10 manufacturer of high-precision, high-complexity and mission-critical castings, machined components and hydraulic orbital motors for diverse end-markets. According to the market statistics, the Group was the world's 6th largest independent and China's largest investment casting manufacturer and also the world's 3rd largest precision machining company in the end-markets of automotive, aerospace and hydraulics, each in terms of total revenue in 2023. The Group is also one of the few suppliers offering one-stop solutions, including initial research and development, tooling design and manufacture, casting, heat treatment, secondary machining and surface treatment. The Group has established long-term strategic cooperative relationships with globally recognized industry leaders, selling its products to more than 30 countries and regions.

- **World's 6th Largest Independent and China's largest Investment Casting manufacturer**
- **World's 3rd Largest Precision Machining company** in the end-markets of automotive, aerospace and hydraulics
- **Vertical integrated one-stop solutions provider** including initial research and development, tooling design and manufacture, casting, heat treatment, secondary machining and surface treatment

REVENUE BY BUSINESS SEGMENT



2024 Group Revenue : **HK$4,686.8 Million**

Revenue Growth Rate : **1.8%**

CORPORATE PROFILE

Employees Worldwide

7,700+ employees, including **~600** engineers around the world

Customers

1,000+ customers located in **30+** countries and regions worldwide

SKUs

- **1,100+** new component SKUs co-developed with customers in 2024
- **9,500+** active component SKUs

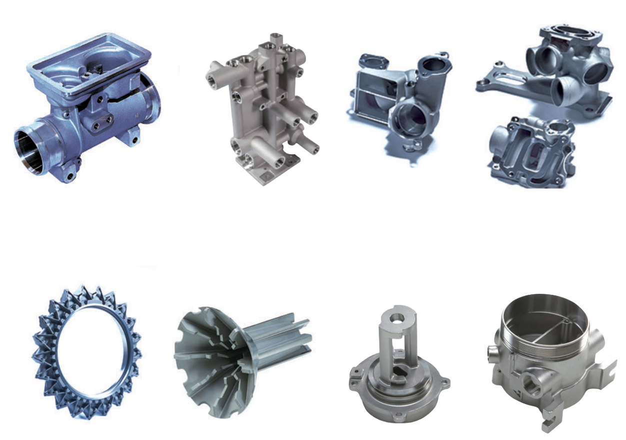
Patents

- **111** new patent applications in 2024
- **Total 562** registered patents, covering certain key technologies used in our production process

Impro Precision has established global footprint of 21 production facilities in China, Turkey, Germany, the Czech Republic and Mexico (19 of which are in operation and 2 are under certification process), which are supported by 9 sales offices in China, United States, Luxembourg, Germany, Turkey, Hong Kong and Mexico, as well as warehousing capacities in China, United States, Luxembourg, Mexico, Germany and Turkey.

BUSINESS PROFILE

INVESTMENT CASTING



Investment casting is the Group's largest business segment which accounted for 38.5% of the Group's revenue for the year ended 31 December 2024. Investment casting is a metal forming process that normally involves using a wax pattern surrounded in a ceramic shell to form a ceramic mold. Once the ceramic shell is dry, the wax is melted out and the ceramic mold is formed. Molten metal is then poured into the ceramic mold to form a casting component. The ceramic mold is subsequently removed, and the casting components are created. Some investment castings require a secondary machining process after casting. Investment casting is usually used to produce parts and components in complex shape with high precision and surface requirement.

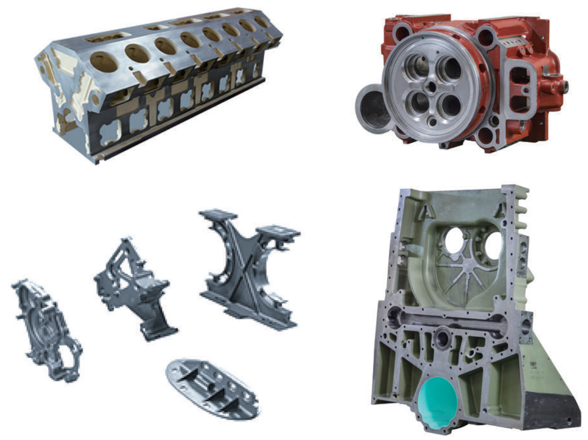
The Group particularly focuses on high-precision, high-complexity and mission-critical investment casting components. The Group currently manufactures investment casting components from plants in four countries, including China, Mexico, Germany and Czech Republic. In 2024, investment casting components are sold to diverse end-markets, including diversified industrials, automotive, aerospace, medical and energy, with over half of the Group's investment casting products sold to Americas, and to a less extent in Europe and Asia including China.

PRECISION MACHINING AND OTHERS

Precision machining and others is the second largest business segment of the Group which accounted for 36.7% of the Group's revenue for the year ended 31 December 2024. It is a process that involves using computer numerical controls and other machines and tools to drill or shape metal components with highly precise specifications used in various finished products. Precision machining and others is performed on bar stocks and other formed materials sourced from global third-party suppliers. The others refer to the research and development as well as manufacture of hydraulic orbital motors.

The Group currently manufactures precision machining components from plants in three countries, including China, Turkey and Mexico. The Group manufactures precision machining products for sale mainly to the automotive end-markets, and to a less extent construction equipment and aerospace end-markets, with the focus on the high-end precision machining & other products. In 2024, the precision machining & others products are mainly sold to Europe and Americas and remaining to Asia including China.

SAND CASTING



Sand casting is the third largest business segment of the Group which accounted for 23.5% of the Group's revenue for the year ended 31 December 2024. Sand casting is a metal forming process in which a mold is first formed from a three-dimensional pattern of sand, and molten metal is poured into the mold cavity for solidification. The sand shell is subsequently removed after the metal components are cooled and formed. Certain sand casting components require a secondary machining process after casting. Sand casting is mainly used in the manufacturing of structural metal components.

The Group currently manufactures sand casting components from plants in China and Mexico. The Group manufactures sand casting components mainly for sale to the high horsepower engine and construction equipment end-markets. In 2024, about half of the Group's sand casting components are sold to Americas, and approximately one-third to Asia including China and the remaining to Europe.

SURFACE TREATMENT

Surface treatment is the fourth largest business segment of the Group which accounts for 1.3% of the Group's revenue for the year ended 31 December 2024. The Group provides surface treatment services mainly through electroplating which is a process used to change the surface properties of a metal part by adding a metal coating onto its surface through the action of electric current. The Group's electroplating services can be broadly divided into functional electroplating process which improves the conductivity, wear resistance and corrosion resistance of the components and hence is critical to the functions of the components, and decorative electroplating, where the electroplating process is performed mainly for decorative purposes.

The Group currently provides surface treatment service from two plants in China. In 2024, our surface treatment customers were from China, with each of the three major end markets: Diversified Industrials, Automotive and Aerospace, Energy & Medical accounting for approximately one-third of sales.

BUSINESS PROFILE

OUR END-MARKETS

Our products and services are widely applied to various end-markets, including high horsepower engines, construction equipment, agricultural equipment, recreational boats and vehicles, passenger cars, commercial vehicles, aerospace, energy and medical.

The following table sets forth our main products by end-market:

End-market	Main business segments	Main products/services
High horsepower engine	Investment casting, precision machining & others and sand casting	Components for fuel systems, engine blocks, cylinder heads, emission systems for distributed energy engines and engine exhaust
Construction equipment	Investment casting, precision machining & others and sand casting	Components for fuel systems, electric fuel injection systems, exhaust systems, transmission systems, as well as hydraulic orbital motors and hydraulic tool parts
Agricultural equipment	Investment casting, precision machining & others and sand casting	Components for transmission systems, engine systems, and emission systems for combine-harvesters, seeders and tractors, as well as hydraulic orbital motors
Recreational boat and vehicle	Investment casting, precision machining and sand casting	Components for marine engines and steering systems, components for motorcycle brakes and transmission systems
Others	Investment casting, precision machining and sand casting	Pumps, bearings, fire safety equipment and food processing machinery
Passenger car	Investment casting, precision machining and surface treatment	Components for fuel systems, EGR systems, turbo chargers, transmission systems and body systems, motor shaft for electric vehicles; electroplating services for brake systems, fasteners, steering systems, emission systems, and decorative components both for traditional combustion engine vehicles and electric vehicles

BUSINESS PROFILE

End-market	Main business segments	Main products/services
Commercial vehicle	Investment casting, precision machining and sand casting	Components for fuel systems, exhaust gas recirculation ("**EGR**") systems, turbo chargers, transmission systems, and emission systems, as well as and hydraulic orbital motors
Aerospace	Investment casting, precision machining and surface treatment	Components for air and fuel systems, aircraft engine systems, hydraulic systems, flight control systems, environment control systems, landing control systems, and auxiliary power units; hard chrome plating for air and fuel systems and engine parts, anodizing and chemical film of components for fuel systems, engine systems, hydraulic systems and flight control systems
Energy	Investment casting, precision machining and surface treatment	Gas turbine combustor end cover, fuel nozzle, oil drilling platform drilling plate drilling, mining drilling tools, well completion parts, sand control and sand control systems, etc.; surface treatment of nuclear reactor internals and components of control rod drive mechanisms
Medical	Investment casting, precision machining and sand casting	Components for surgical instruments, surgical robot, medical diagnosis equipment, biosystem equipment, prosthetics and patient handling equipment

KEY MILESTONES

Jan 2024

Impro Aerotek was awarded the 2023 Excellent Supplier Strategic Collaboration Award by Honeywell

May 2024

Impro won 2023 Emerson MSOL Supplier Recognition Award

Aug 2024

Phase 1 construction completed at Impro Mexico

Impro Yixing completed and commenced operations for the semi-precision machining and precision machining workshop for high-power engine cylinder blocks

KEY MILESTONES

Oct 2024

Impro won "Top Supplier" from Parker Aerospace

GE Aerospace signed LTA with Impro Aerotek to further deepen strategic collaboration

Impro won "Sustainable Corporate (Environmental) — Outstanding Award" at Standard Chartered Corporate Achievement Awards 2024

Nov 2024

Impro was awarded Shanghai MHI Engine Excellent Supplier Award

Impro won Outstanding Listed Companies Award from IFAPC for three years in a row

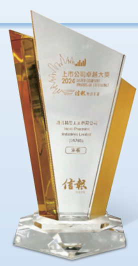
Impro Aerotek won Honeywell SQE Supplier Award 2024

Dec 2024

Energy storage power station at Impro China's headquarters officially started operations

Impro was awarded Cummins' Pioneer of Globalization Excellence and Best New Product Development Excellence

Impro won Hong Kong Economic Journal Listed Company Awards of Excellence 2024 for four years in a row



Impro was awarded the Bronze Medal by EcoVadis for three years in a row

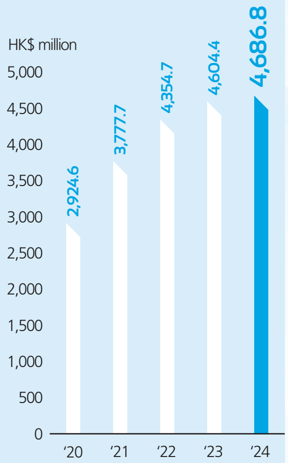
FINANCIAL HIGHLIGHTS

HK$ million	Year ended 31 December 2024	2023	Change
Revenue	**4,686.8**	4,604.4	1.8%
Gross profit	**1,269.1**	1,178.3	7.7%
Gross profit margin	**27.1%**	25.6%	1.5%
Profit attributable to shareholders of the Company	**644.3**	585.1	10.1%
Adjusted profit attributable to shareholders of the Company[1]	**615.5**	532.0	15.7%
Earnings per share — Basic (HK cents)	**34.1**	31.0	10.0%
Adjusted basic earnings per share (HK cents)	**32.6**	28.2	15.6%
Dividend per share (HK cents)	**16.0**	16.0	0.0%
EBITDA[2]	**1,390.9**	1,224.9	13.6%
EBITDA margin	**29.7%**	26.6%	3.1%
Adjusted EBITDA[3]	**1,318.6**	1,214.9	8.5%
Adjusted EBITDA margin	**28.1%**	26.4%	1.7%
Net cash generated from operating activities	**1,146.2**	1,281.4	-10.6%
Free cash inflow from operations[4]	**456.2**	508.5	-10.3%

Revenue

1.8%

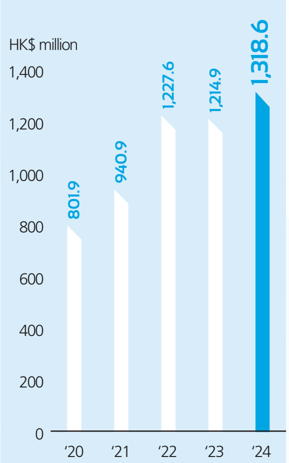
HK$4,686.8 million



Adjusted EBITDA

8.5%

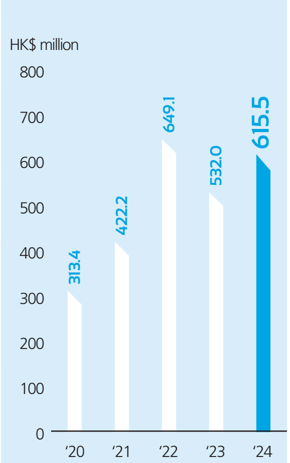
HK$1,318.6 million



Adjusted Profit Attributable to Shareholders

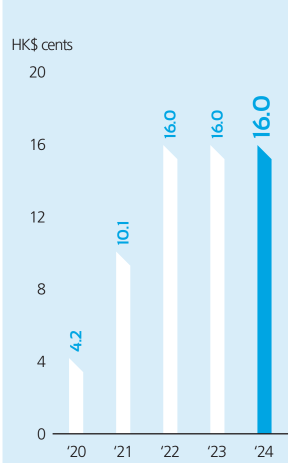
15.7%

HK$615.5 million



Dividend per Share

HK$16.0 cents



For the year ended 31 December

FINANCIAL HIGHLIGHTS

HK$ million	**As at 31 December 2024**	As at 31 December 2023	Change
Cash and cash equivalents	**601.7**	630.9	-4.6%
Total debt	**2,196.1**	2,257.8	-2.7%
Net debt (total debt less cash and cash equivalents)	**1,594.4**	1,626.9	-2.0%
Total equity	**4,742.9**	4,900.9	-3.2%
Market capitalization[5]	**3,680.2**	4,529.5	-18.8%
Enterprise value[6]	**5,296.1**	6,176.8	-14.3%

Key Financial Ratios		
Adjusted return on equity[7]	**12.8%**	11.5%
Price earnings ratio	**5.7**	7.7
Enterprise value to adjusted EBITDA ratio	**4.0**	5.1
Net debt to adjusted EBITDA ratio	**1.2**	1.3
Net gearing ratio	**33.6%**	33.2%
Interest coverage[8]	**7.4**	6.2

FINANCIAL HIGHLIGHTS

Notes:

1 Reconciliation of profit for the year to adjusted profit attributable to shareholders of the Company (non-IFRS measure), which represents the Group's underlying performance is shown below:

	Year ended 31 December	
	2024	2023
	HK$' million	HK$' million
Profit for the year	**645.8**	586.8
Adjustments:		
— Insurance claims received, net of legal expenses & tax, as a result of Nantong fire incident	**(61.5)**	(14.6)
— Amortization and depreciation related to purchase price allocation, net of tax	**32.7**	36.2
— Recognition of deferred tax assets of a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code, net of 10% dividend withholding tax	**–**	(80.8)
— Provision for staff severance cost in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12, net of tax	**–**	6.1
Adjusted profit for the year	**617.0**	533.7
Less: Profit attributable to non-controlling interest	**(1.5)**	(1.7)
Adjusted profit attributable to shareholders of the Company	**615.5**	532.0

2 EBITDA refers to earnings before interest, tax, depreciation and amortization.

3 Adjusted EBITDA represents EBITDA added back below significant one-off items for the years ended 31 December 2024 and 2023.

Reconciliation of EBITDA to adjusted EBITDA (non-IFRS measures):

	Year ended 31 December	
	2024	2023
	HK$' million	HK$' million
EBITDA	**1,390.9**	1,224.9
Adjustments:		
— Insurance claims received, net of legal expenses as a result of Nantong fire incident	**(72.3)**	(17.2)
— Provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12	**–**	7.2
Adjusted EBITDA	**1,318.6**	1,214.9

4 Net cash generated from operating activities less net cash used in investing activities but add back net cash used in acquisitions.

5 Outstanding number of shares multiplied by the closing share price (HK$1.95 per share as of 31 December 2024; HK$2.40 per share as of 31 December 2023).

6 Enterprise value is calculated as market capitalization plus non-controlling interest plus net debt.

7 Adjusted return on equity is calculated as adjusted profit attributable to shareholders of the Company divided by the average of total equity attributable to equity shareholders of the Company as of 31 December 2024 and 2023.

8 Interest coverage is profit from operations (adjusted for significant one-off items) divided by interest expenses on total interest-bearing bank loans and lease liabilities.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report to the shareholders the annual results of Impro Precision Industries Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Impro**") for the year ended 31 December 2024.

During the year ended 31 December 2024, the revenue of the Group amounted to HK$4,686.8 million, representing a year-on-year increase of 1.8%. Profit attributable to shareholders of the Company ("**Shareholders**") amounted to HK$644.3 million, representing a year-on-year increase of 10.1%. Adjusted profit attributable to Shareholders amounted to HK$615.5 million, representing a year-on-year increase of 15.7%. Basic earnings per share amounted to 34.1 HK cents (for the year ended 31 December 2023: 31.0 HK cents). The Group's inventory cycle continued to improve and accounts receivable were effectively controlled during the year, with operating cash flow reaching HK$1,146.2 million. After paying capital expenditure of HK$612.0 million and dividends to Shareholders of HK$302.0 million, the Group's net debt decreased by HK$32.5 million, demonstrating the Group's strong cash flow. Taking into account the sound cash flow position and business prospects of the Group, the Board resolved to declare a second interim dividend of 8.0 HK cents per share for 2024 in lieu of a final dividend. Together with the first interim dividend of 8.0 HK cents per share for 2024 already distributed, dividend per share for the year amounted to 16.0 HK cents (for the year ended 31 December 2023: 16.0 HK cents). Since its listing on 28 June 2019, the Company has distributed dividends of approximately HK$1,160 million to Shareholders, which exceeded the proceeds of approximately HK$1,150 million raised from the public offering when the Company was listed.

In 2024, the operating environment of the global market was volatile and the performance of various end-markets showed considerable fluctuations throughout the year. During the year, as the demand for artificial intelligence-related big data centres continued to bloom across Europe, the United States, and Asian markets including the PRC, the demand for high horsepower engines as a key component of distributed power generators continued to rise. Coupled with the growth in the market share of the Group, the sales to the high horsepower engine end-market increased significantly by 58.6%. However, due to macroeconomic factors such as interest rate cut in the United States falling short of market expectations and the exacerbating geopolitical risks surrounding the United States presidential election at the end of the year, sales growth in most of the Group's end-markets was under pressure. Amid a complex and ever-changing environment, the Group's strategies of "Global Footprint" and "Diversified End-markets" have become the cornerstones for maintaining stable performance, enabling the Group to effectively withstand the downside impact experienced by various end-markets. Meanwhile, the sales in the aerospace end-market of the Group's Aerotek Division maintained a robust momentum with a year-on-year increase of 26.8%, which partially offset the challenges from other end-markets and resulted in a modest year-on-year growth in the Group's total revenue for the year.

In addition, the Group's new Mexico plants, which remained in the ramp-up stage during the year, still recorded a relatively large net loss in 2024, while its EBITDA loss showed a year-on-year decrease. Under the influence of the sluggish performance of the European automotive market and the high local inflation, the profit of the Group's Turkey plants for the year also dropped. On the other hand, most of the Group's plants in the PRC achieved spectacular financial performance and consistently delivered substantial growth in their profit, among which the high horsepower engine end-market became the driver of the Group's profit growth for the year, achieving an increase of 15.7% in the Group's adjusted profit attributable to the Shareholders in 2024.

CHAIRMAN'S STATEMENT

Revenue by end-market

The Group sells its products to customers worldwide in diversified end-markets. During the year, the diversified industrials end-markets recorded a slight increase in sales for the year, with segment revenue increasing by 2.1% year-on-year to HK$2,260.0 million. The large-scale construction of artificial intelligence data centres in the United States, Europe and Asia has led to a surge of 58.6% in sales in the high horsepower engine end-market for the year. In 2024, the sales of the high horsepower engine end-market became the Group's third largest sub-end market, accounting for 16.8% of the total revenue.

In addition, the revenue of the recreational boats and vehicles, agricultural equipment, construction equipment end-markets and other end-markets decreased by 31.8%, 23.0%, 6.7% and 8.1% year-on-year to HK$148.4 million, HK$324.3 million, HK$648.5 million and HK$353.0 million respectively. The decline in revenue in these end-markets was primarily due to reduced customer demand amid sluggish economic conditions and high interest rates in the United States and Europe.

The aerospace, energy and medical end-markets maintained a relatively robust growth, with revenue rising to HK$786.3 million, representing a year-on-year increase of 13.0%. Among them, the aerospace end-market demonstrated a stronger growth momentum during the first quarter of 2024. Despite the decline in demand for Boeing series aircraft components since the second quarter of 2024 owing to a number of issues, the aerospace end-market maintained a sales growth of 26.8% for the year; the energy end-market recorded a 27.3% increase in sales during the first half of 2024, but saw a decline in the second half of the year as the demand in the oil and gas market was under pressure.

The revenue of the automotive end-market fell slightly during the year, with revenue down 3.2% to HK$1,640.5 million. Benefiting from the increase in passenger car market share in Europe and Americas, the revenue of the passenger car end-market increased by 2.0% year-on-year. The revenue of the commercial vehicle end-market fell by 8.3% during the year, affected by the sluggish demand in the United States and European markets.

	Year ended 31 December					
	2024		2023		Increase/Decrease	
By End-market	**HK$ million**	**Proportion**	HK$ million	Proportion	HK$ million	Change
Diversified Industrials	**2,260.0**	**48.2%**	**2,213.6**	**48.1%**	**46.4**	**2.1%**
— High Horsepower Engine	785.8	16.8%	495.6	10.8%	290.2	58.6%
— Construction Equipment	648.5	13.8%	695.0	15.1%	(46.5)	–6.7%
— Agricultural Equipment	324.3	6.9%	421.0	9.1%	(96.7)	–23.0%
— Recreational Boat and Vehicle	148.4	3.2%	217.7	4.7%	(69.3)	–31.8%
— Others	353.0	7.5%	384.3	8.4%	(31.3)	–8.1%
Automotive	**1,640.5**	**35.0%**	**1,694.7**	**36.8%**	**(54.2)**	**–3.2%**
— Passenger Car	852.0	18.2%	834.9	18.1%	17.1	2.0%
— Commercial Vehicle	788.5	16.8%	859.8	18.7%	(71.3)	–8.3%
Aerospace, Energy & Medical	**786.3**	**16.8%**	**696.1**	**15.1%**	**90.2**	**13.0%**
— Aerospace	538.6	11.5%	424.9	9.2%	113.7	26.8%
— Energy	161.9	3.5%	170.2	3.7%	(8.3)	–4.9%
— Medical	85.8	1.8%	101.0	2.2%	(15.2)	–15.0%
Total	**4,686.8**	**100.0%**	**4,604.4**	**100.0%**	**82.4**	**1.8%**

In local currencies, the revenue of the Group increased by 2.4% year-on-year. Such growth rate was higher than the reported revenue growth rate mainly due to the devaluation of average foreign exchange rates of Euro and RMB against HK$ by 0.7% and 1.3% respectively compared with the previous year.

CHAIRMAN'S STATEMENT

Revenue by business segment

In terms of business segments, benefiting from the significant increase in sales in the high horsepower engine end-market of the Group during the year, the related sand casting business segment revenue increased significantly by 33.7%. Rehabilitation of the Nantong plant was completed in January 2024, resulting in a year-on-year increase of 5.4% in the Group's revenue from the surface treatment business. Although the aerospace end-market continued to grow, it was not sufficient to compensate for the decline in demand from customers in the diversified industrial and automotive end-markets, and thus the revenue of investment casting and precision machining and others segments declined by 5.7% and 4.9% year-on-year, respectively.

	Year ended 31 December					
	2024		2023		Increase/Decrease	
By Business Segment	**HK$ million**	**Proportion**	HK$ million	Proportion	HK$ million	Change
Investment casting	1,804.7	38.5%	1,914.8	41.6%	(110.1)	–5.7%
Precision machining and others	1,720.3	36.7%	1,808.3	39.3%	(88.0)	–4.9%
Sand casting	1,101.3	23.5%	823.9	17.9%	277.4	33.7%
Surface treatment	60.5	1.3%	57.4	1.2%	3.1	5.4%
Total	**4,686.8**	**100.0%**	**4,604.4**	**100.0%**	**82.4**	**1.8%**

Revenue by geographical market

In 2024, the Group's business in the Americas continued to grow and recorded a revenue growth of 4.3%. Revenue from its European operations declined by 5.4% year-on-year. Revenue from its Asian operations rose by 7.9% mainly benefitting from the surge in sales in the high horsepower engine end-market.

	Year ended 31 December					
	2024		2023		Increase/Decrease	
By Geographical Market	**HK$ million**	**Proportion**	HK$ million	Proportion	HK$ million	Change
Americas	**2,328.5**	**49.7%**	**2,233.3**	**48.5%**	**95.2**	**4.3%**
— United States	2,082.3	44.4%	2,019.0	43.8%	63.3	3.1%
— Others	246.2	5.3%	214.3	4.7%	31.9	14.9%
Europe	**1,421.6**	**30.3%**	**1,502.7**	**32.6%**	**(81.1)**	**–5.4%**
Asia	**936.7**	**20.0%**	**868.4**	**18.9%**	**68.3**	**7.9%**
— PRC	817.9	17.5%	736.6	16.0%	81.3	11.0%
— Others	118.8	2.5%	131.8	2.9%	(13.0)	–9.9%
Total	**4,686.8**	**100.0%**	**4,604.4**	**100.0%**	**82.4**	**1.8%**

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENT AND STRATEGY

In 2024, the global economy was fraught with numerous challenges, and there was still no sign that the macro geopolitical tension was easing. As the dust settles on the United States election, the escalation of the Sino-US trade conflict, the lacklustre Chinese economy and other macroeconomic conditions continue to bring uncertainties to the global business environment. During the year, Impro continued to pursue its strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engine", which helped the Group to effectively cope with the cyclical fluctuations of each end-market and hedge the related risks, enabling the Group's performance to achieve a modest growth during the year.

During the year, the dynamics and trends of various end-markets diverged. The aerospace end-market continued to perform well. Despite the sales revenue of Boeing series aircraft components fluctuated significantly, the Group still achieved a remarkable revenue growth by capitalising on the Group's forward-looking deployment in the aerospace sector. As the production of Boeing series aircraft gradually resumes this year, it is expected that this will further drive the increase in related demand in the aerospace supply chain. In 2025, the Group is expected to seize the advantage to provide one-stop solutions in the aerospace supply chain and strive for a higher market share, as well as maintaining a considerable growth in the aerospace end-market. In addition, the Group has continued developing the medical end-market and has successfully developed a wide variety of new products during the year, which have entered the mass production stage, with its revenue expecting to achieve significant growth in 2025. As uncertainties in the oil and gas market persist, the energy end-market is expected to remain weak in 2025.

In terms of the diversified industrial end-market, the high horsepower engine end-market saw strong revenue growth during the year. The application of artificial intelligence-related big data centres became more extensive and developed more rapidly in the second half of 2024, boosting demand for high horsepower engines as key components of distributed generators with sales achieving a robust growth during the year. It is expected that in the next two to three years, driven by the substantial growth in demand for artificial intelligence data centres, its revenue will continue to maintain significant growth, and is expected to surpass the passenger car end-market in 2025 to become the Group's largest sub-end market. In terms of the construction equipment, agricultural equipment, and recreational boats and vehicles end-markets, customer demand remains weak while geopolitical tension, high interest rate and economic uncertainties continue to affect the growth of revenue.

CHAIRMAN'S STATEMENT

In terms of the automotive end-market, due to the electrification of automotives and the expected large decline in fuel vehicles in Europe, the passenger car end-market is expected to record a certain extent of decline in its revenue in 2025. However, the expectation for an upward trend in the commercial vehicle end-market will be able to effectively offset the decline in the demand for passenger cars.

Currently, with a total of 21 plants in the PRC, Germany, Turkey, the Czech Republic and Mexico, Impro follows the strategies of "Region for Region Manufacturing" and "Dual Source Production" and is committed to helping customers cope with the impact of supply chain risks caused by changes in the multilateral situation. Among them, the first phase of the five plants in the Mexico SLP Campus, which serves the North American market, has been basically completed, and the equipment of the two newly built aerospace and surface treatment plants is being installed. Since the certification process of aerospace plants is relatively long, it is expected to commence production in the second half of 2025 or the first half of 2026. Although the uncertainty of the US-Mexico tariff policy will pose an impact to a certain extent, the Group firmly believes that its investment deployment in Mexico and one-stop supply chain solutions will help establish a competitive advantage in North America, thereby further expanding its market share and consolidating its globalisation strategy.

The relocation and integration of the Foshan Ameriforge to Nantong Plant No. 12 was completed by the end of 2024. In the future, this business will focus on aerospace and energy components, but it is still in the early stages of integration and is not expected to bring significant integration and synergy effects to the Group until 2026. The insurance claim settlement for the fire incident at the Nantong Plant in June 2022 was concluded in December 2024, with the Group receiving a total net claim settlement of HK$102.8 million before tax.

During the year, the Group's high-quality products and services continued to win numerous esteemed customer awards, including Honeywell Aerospace's "2024 Overall Quality Performance Award", Parker Aerospace's "Top Supplier" Designation, Cummins' "Global Pioneer Award" and "New Product Development Support Excellence Award", etc. On the capital market front, the Group's solid performance, strategic vision and value growth have been repeatedly recognized by the market this year, including the "Listed Company Excellence Award" accredited by Hong Kong's major financial media "Hong Kong Economic Journal" for four consecutive years and the "Listed Company Annual Award" accredited by the Hong Kong Stock Analysts Association for two consecutive years.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead to 2025, uncertainties such as geopolitical conflicts, high inflation and high interest rates that have persisted for several years will continue to loom over the global economy. The resurgence of trade protectionism in various countries, United States Trade Tariff Policy and the Federal Reserve's suspension of interest rate cuts have also added concerns to the market. Against this backdrop, although some of the Group's end-markets will still face downside risks in 2025, the Group remains confident in its business performance in 2025. Considering the Group's total order on hand and the future new project development, the Company forecasts that the year-on-year sales growth rate in 2025 will be approximately mid to high single digit.

The Group expects that artificial intelligence will continue to develop at an accelerated pace in the next two to three years. The resulting global demand for big data centers will drive the upstream market and continue to benefit the growth of orders related to high horsepower engines. In response to the market demand, the Group has successfully developed a number of related products in 2024 and simultaneously increased production capacity to meet market demand. It is expected that high horsepower engines will exceed passenger cars in 2025 and become the sub-end market accounting for the largest share of the Group's sales revenue. Leveraging its global deployment and substantial experience in dealing with tariff risks, the Group is confident that it can cope with external challenges and minimize the impact of such adverse factors on its customers and the Company.

Meanwhile, as Boeing series aircraft gradually resumes installation this year, the Group's aerospace end-market is expected to maintain significant growth. The Group has completed the relocation of Foshan Ameriforge and its integration with Nantong Plant No. 12 by the end of 2024. The improvement of the Group's production capacity and operational efficiency will go through a ramp-up process, and the synergy is expected to be fully realised in 2026. By then, the "Aerotek Business Unit" established by the Group's visionary layout will be more effectively integrated and expanded, further enhancing the Group's market share in the aerospace end-market and global industry status. In terms of the medical end-market, the Group's previous heavy investment has gradually shown results. Driven by the new products developed by the Group for its North American customers, the relevant business has started to climb in the fourth quarter of 2024. It is expected that the medical end-market will grow significantly in 2025.

On the production side, against the backdrop of the emerging global trade conflict crisis, the advantageous position of the Mexico SLP Campus as a key player in the Group's global production layout has been further highlighted. In 2024, although the three plants in the Campus that have been put into production still recorded large losses, the EBITDA has achieved a significant reduction in losses during the year. The Group is confident and will strive to achieve positive EBITDA profits in 2025. The first phase of construction of the five plants in the SLP Campus was basically completed in 2024. Among them, the two newly completed aerospace and surface treatment plants are currently undergoing equipment installation in full swing. As the aerospace plant certification process is rather long, production is expected to begin in the second half of 2025 or the first half of 2026.

CHAIRMAN'S STATEMENT

The Group officially started the construction of Phase II plant in the SLP Campus in the second half of 2024, which aims to meet the continued growth in orders from customers with high horsepower engines. Once the Phase II plant is completed (which is currently expected to be before the end of 2025), it will significantly enhance the Group's production capacity in the field of high horsepower engine parts and further deepen the advantages of the SLP Campus in Mexico in terms of geographical location and production efficiency. Looking ahead to 2025, the Group's capital expenditures are expected to be approximately HK$650 million, of which approximately two-thirds will be allocated for the SLP Campus in Mexico, and the remaining will be mainly invested in plants in China and Turkey.

Looking ahead, the Group will continue to expand its diversified industrial and aerospace, energy and medical end-markets, and further consolidate and optimize the Group's product portfolio and overall competitiveness in the automotive end-market. The Group will make full use of the production and sales networks in Asia, Europe and Americas to consolidate the foundation of its core business, actively seize market opportunities and flexibly respond to challenges. Meanwhile, the Group will continue to implement the "Twin Growth Engine" strategy and pay close attention to target companies with synergistic effects. The Group will also continue to enhance its research and development capabilities, provide customers with high-quality and diverse products and services, continuously promote self-improvement, and create long-term value and satisfactory returns for its Shareholders.

On behalf of the Board, I would like to express my sincere gratitude to all our customers, Shareholders, employees, suppliers and other stakeholders for their continuous support.

LU Ruibo
Chairman and Chief Executive Officer

Hong Kong, 11 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

HK$ million	Year ended 31 December **2024**	2023	Change
Revenue	**4,686.8**	4,604.4	1.8%
Gross profit	**1,269.1**	1,178.3	7.7%
Gross profit margin	***27.1%***	*25.6%*	*1.5%*
Other revenue	**33.2**	30.2	9.9%
Other net income	**125.5**	20.0	527.5%
Selling and distribution expenses	**(177.0)**	(158.5)	11.7%
As a % of revenue	***3.8%***	*3.4%*	*0.4%*
Administrative and other operating expenses	**(362.6)**	(341.7)	6.1%
As a % of revenue	***7.7%***	*7.4%*	*0.3%*
Profit from operations	**888.2**	728.3	22.0%
Operating profit margin	***19.0%***	*15.8%*	*3.2%*
Net finance costs	**(102.3)**	(108.4)	-5.6%
Profit before taxation	**785.9**	619.9	26.8%
Income tax	**(140.1)**	(33.1)	323.3%
Adjusted effective tax rate[1]	***18.1%***	*18.4%*	*-0.3%*
Profit for the year	**645.8**	586.8	10.1%
Net profit margin	***13.8%***	*12.7%*	*1.1%*
Profit attributable to:			
Equity shareholders of the Company	**644.3**	585.1	10.1%
Non-controlling interest	**1.5**	1.7	-11.8%
	645.8	586.8	10.1%

Note:

1 Adjusted effective tax rate is computed as below:

	Year ended 31 December **2024** **HK$ million**	2023 HK$ million
Profit before taxation	**785.9**	619.9
Less: Insurance claims received, net of legal expenses as a result of Nantong fire incident	**(72.3)**	(17.2)
Add: Provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12	**–**	7.2
Adjusted profit before taxation	**713.6**	609.9
Income tax	**(140.1)**	(33.1)
Add: Tax impact on adjusting items above	**10.8**	1.5
Less: Recognition of deferred tax assets by a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code (net of 10% dividend withholding tax)	**–**	(80.8)
Adjusted income tax	**(129.3)**	(112.4)
Adjusted effective tax rate	**18.1%**	18.4%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2024 increased by 1.8% to HK$4,686.8 million as compared to last year of HK$4,604.4 million. In local currencies, the Group's revenue increased by 2.4% year-on-year since the negative impact brought by the 0.7% and 1.3% depreciation of EUR and RMB, respectively against HK$ during the year.

Gross profit and gross profit margin

The Group's gross profit increased by HK$90.8 million, or 7.7% to HK$1,269.1 million for the year ended 31 December 2024 as compared to HK$1,178.3 million for the year ended 31 December 2023. The gross profit of investment casting business decreased by HK$5.0 million, or 0.8% to HK$625.0 million, mainly due to revenue decline from diversified industrials and automotive end-markets which was partially offset by increase in margin contribution from aerospace end-market sales. The gross profit of precision machining and other business decreased by HK$49.0 million to HK$326.8 million mainly due to the decline in gross profit of Mexican and Turkish precision machining plants. The gross profit of sand casting business increased by HK$137.8 million, or 77.5% to HK$315.5 million mainly as a result of the robust demand of high horsepower engine end-market, which was more than enough to offset the gross loss reported in Mexico sand casting plant. Surface treatment business achieved a turnaround, reporting a gross profit of HK$1.8 million for the year ended 31 December 2024, compared to a gross loss of HK$5.2 million for the year ended 31 December 2023. This improvement is attributed to the rehabilitation of the Nantong plant since January 2024.

The Group's gross profit margin was 27.1% for the year ended 31 December 2024, compared with 25.6% in last year. The increase in gross profit margin was mainly attributed to the robust demand from high horsepower engine and aerospace end-markets, partially offset by the lower-than-expected revenue growth from the Mexican plants and the decline in profit in precision machining and others business.

Other revenue

During the year ended 31 December 2024, the Group's other revenue increased by HK$3.0 million to HK$33.2 million (2023: HK$30.2 million). Other revenue mainly represented various discretionary incentives from the local governments in the PRC in relation to technology development and other incentive programs.

Other net income

The Group recorded other net income of HK$125.5 million for the year ended 31 December 2024 (2023: HK$20.0 million). Other net income in 2024 mainly represented insurance compensation received from the Nantong fire incident net of legal expense of HK$72.3 million, and a net foreign exchange gain of HK$45.8 million arising mainly from depreciation of TL and RMB against HK$. In 2023, other net income mainly represented the insurance compensation received from the Nantong fire incident of HK$17.1 million and the net foreign exchange gain of HK$7.4 million.

Selling and distribution expenses

The Group's selling and distribution expenses increased by HK$18.5 million, or 11.7%, to HK$177.0 million for the year ended 31 December 2024 as compared to HK$158.5 million for the year ended 31 December 2023. The increase in selling and distribution expenses was mainly due to higher ocean freight expenses. Selling and distribution expenses to revenue ratio was 3.8% for the year ended 31 December 2024 (2023: 3.4%).

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$20.9 million, or 6.1%, to HK$362.6 million for the year ended 31 December 2024, as compared to HK$341.7 million in last year. The increase in administrative and other operating expenses was mainly attributable to the higher administrative expenses of the Group's Mexico plants and also higher expenses due to settlement of certain customer receivables in relation to the Nantong fire incident in 2022. Administrative and other operating expenses to revenue ratio was 7.7% for the year ended 31 December 2024 (2023: 7.4%).

Net finance costs

The Group's net finance costs decreased by HK$6.1 million to HK$102.3 million for the year ended 31 December 2024. The decrease was mainly attributable to the lower interest rate of HKD borrowings and shift of more borrowings to RMB denominated loan during the year ended 31 December 2024.

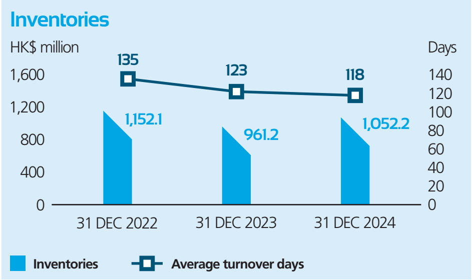
Income tax

The Group's income tax expenses increased to HK$140.1 million for the year ended 31 December 2024 from HK$33.1 million for the year ended 31 December 2023. Income tax expenses were higher in 2024 mainly due to the one-off recognition of deferred tax assets of HK$80.8 million of a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure, net of 10% dividend withholding tax in 2023. Adjusted effective tax rate was 18.1% for the year ended 31 December 2024 (2023: 18.4%).

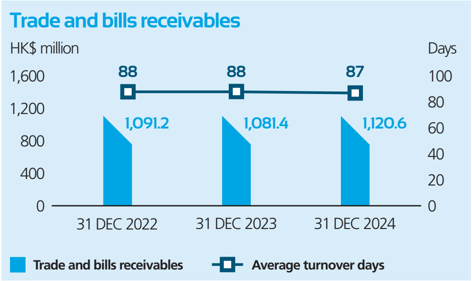
Working capital

	As at 31 December 2024 HK$ million	As at 31 December 2023 HK$ million
Inventories	**1,052.2**	961.2
Trade and bills receivables	**1,120.6**	1,081.4
Prepayments, deposits and other receivables	**338.2**	302.9
Trade payables	**(588.6)**	(519.5)
Other payables and accruals	**(378.1)**	(308.9)
Deferred income	**(129.2)**	(135.1)
Defined benefit retirement plans obligation	**(62.6)**	(64.3)
Total working capital	**1,352.5**	1,317.7
Total working capital as a % of Revenue	**28.9%**	28.6%

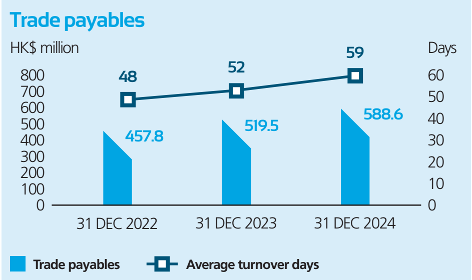
Inventories increased by HK$91.0 million to HK$1,052.2 million as of 31 December 2024 (31 December 2023: HK$961.2 million) mainly due to the increase in work in progress and finished goods to cope with higher customers' demand during the year ended 31 December 2024. Inventory turnover days decreased 5 days to 118 days as at 31 December 2024 from 123 days as at 31 December 2023.



Trade and bills receivables increased by HK$39.2 million to HK$1,120.6 million as of 31 December 2024 (31 December 2023: HK$1,081.4 million) mainly due to increase in revenue during the year ended 31 December 2024. Trade and bills receivables average turnover days decreased to 87 days as at 31 December 2024 (31 December 2023: 88 days). The management of the Group is of the view that the Group's receivables are of high quality and the Group has not encountered any material default payment from customers. As at 31 December 2024, current receivables and overdue balances of less than 30 days has increased to 94.8% (as at 31 December 2023: 94.4%) of the balance of the gross trade and bills receivables.



Trade payables increased by HK$69.1 million to HK$588.6 million as of 31 December 2024 (31 December 2023: HK$519.5 million). The increase was generally in line with the increase in the scale of business operation. Trade payable average turnover days as at 31 December 2024 increased to 59 days as compared to 52 days as at 31 December 2023.



EBITDA and Net profit

The Group's EBITDA was HK$1,390.9 million, or EBITDA margin of 29.7% for the year ended 31 December 2024, as compared to EBITDA of HK$1,224.9 million, or EBITDA margin of 26.6% in last year. Profit attributable to Shareholders was HK$644.3 million, as compared to a profit of HK$585.1 million in last year. Net profit margin for the year ended 31 December 2024 was 13.8%, as compared to 12.7% in last year.

Excluding the impact of insurance claims received, net of legal expenses as a result of Nantong fire incident and provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12, the Group's adjusted EBITDA margin was 28.1%, which was 1.7% higher than 26.4% attained in last year, and the adjusted profit attributable to Shareholders was HK$615.5 million for the year ended 31 December 2024, an increase of 15.7% as compared to HK$532.0 million in last year. Adjusted net profit margin was 13.2% for the year ended 31 December 2024, as compared to 11.6% attained in last year.

Financial resources and liquidity

As at 31 December 2024, the total assets of the Group decreased by 1.6% to HK$8,171.8 million and total equity decreased by 3.2% to HK$4,742.9 million as compared to the amount as at 31 December 2023. The decrease of total assets was mainly attributable to the devaluation of MXN and RMB that reduced the HKD value of property, plant and equipment amount of Mexico and China plants, partially offset by continued capital expenditures in Mexico and China plants during the year ended 31 December 2024. The Group's current ratio as at 31 December 2024 was 1.63, as compared to 1.55 as at 31 December 2023. The change in current ratio was primarily due to reduction in short-term bank borrowings during the year ended 31 December 2024.

The Group continues to adopt a prudent financial management and treasury policy to the effect that the Group can maintain a healthy financial position through different business cycles and achieve a long-term sustainable growth. The Group's business requires a significant amount of working capital for the purchase of raw materials, capital expenditures and product development cost. The Group had operating cash inflow of HK$1,146.2 million for the year ended 31 December 2024. The funds generated from operations and cash on hand are adequate to fund the liquidity and capital requirements.

To the extent that there is any surplus cash which has yet to be used for the designated purposes, the Group will deposit such cash with different licensed banks or financial institutions and/or subscribe for short-term debt instruments for the purpose of generating interest income.

The table below sets forth a consolidated cashflow statement for the Group for the years indicated:

	Year ended 31 December	
	2024	2023
	HK$ million	HK$ million
Cash (used in)/generated from:		
Operating activities	**1,146.2**	1,281.4
Investing activities	**(690.0)**	(772.9)
Financing activities	**(467.2)**	(359.7)
Net movement in cash	**(11.0)**	148.8

Cash generated from operating activities was HK$1,146.2 million for the year ended 31 December 2024, a decrease of HK$135.2 million compared to HK$1,281.4 million in last year. The decrease in cash flows from operating activities was mainly due to increase in net working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash used in investing activities was HK$690.0 million for the year ended 31 December 2024, a decrease of HK$82.9 million compared to HK$772.9 million in last year. The major items on investment activities were payment for capital expenditures which included purchases of machinery, equipment, tooling and infrastructure of HK$612.0 million.

The table below sets forth the cash used in investing activities for the years indicated:

	Year ended 31 December	
	2024	2023
	HK$ million	HK$ million
Payment of property, plant and equipment	**(612.0)**	(711.4)
Proceeds from disposal of property, plant and equipment	**1.7**	6.6
Payment for deferred expenses	**(88.1)**	(76.0)
Interest received	**8.4**	7.9
Net cash used in investing activities	**(690.0)**	(772.9)

Cash used in financing activities was HK$467.2 million for the year ended 31 December 2024, compared to cash generated from financing activities of HK$359.7 million in last year.

The table below sets forth the cash used in financing activities for the years indicated:

	Year ended 31 December	
	2024	2023
	HK$ million	HK$ million
Proceeds from bank loans	**1,529.4**	1,295.0
Repayment of bank loans	**(1,578.7)**	(1,228.3)
Interest paid	**(110.1)**	(115.5)
Payment of lease rentals	**(5.8)**	(15.7)
Proceeds from exercise of share options	**–**	6.5
Dividend paid	**(302.0)**	(301.7)
Net cash used in financing activities	**(467.2)**	(359.7)

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

As at 31 December 2024, the Group's total borrowings were HK$2,196.1 million, a decrease of HK$61.7 million from HK$2,257.8 million as at 31 December 2023. Long-term borrowings accounted for 58.0% of total borrowings (as at 31 December 2023: 54.1%).

The table below sets forth the balances of short and long-term borrowing obligations within the Group as at the dates indicated:

	As at 31 December 2024 HK$ million	As at 31 December 2023 HK$ million
Current bank loans	**919.2**	1,028.6
Non-current bank loans	**1,265.6**	1,211.9
Current lease liabilities	**3.8**	7.7
Non-current lease liabilities	**7.5**	9.6
Total borrowings	**2,196.1**	2,257.8

As at 31 December 2024, the Group had total banking facilities available for draw-down of HK$2,308.6 million (as at 31 December 2023: HK$1,785.6 million).

The Group's net gearing ratio as at 31 December 2024 was 33.6% (as at 31 December 2023: 33.2%). This ratio is based on total borrowings less cash and cash equivalents divided by total equity. The gearing level has increased mainly due to decrease in total equity balance as a result of devaluation of MXN and RMB that reduced the exchange reserve during the year ended 31 December 2024.

Capital Expenditures and Commitments

The management of the Group exercised careful control over capital expenditures. Capital expenditures of the Group amounted to HK$632.7 million for the year ended 31 December 2024 (2023: HK$713.0 million) which was primarily used in the production capacity expansion in the Group's PRC plants, as well as the infrastructure and machinery spending for the new plants in Mexico. Among which, the Group incurred HK$290.1 million (2023: HK$319.9 million) for the development of new plants in Mexico, including the purchases of machinery and construction of precision machining, sand casting, investment casting, aerospace and surface treatment plants. Capital commitments contracted for but not incurred by the Group as at 31 December 2024 amounted to HK$425.4 million (as at 31 December 2023: HK$286.5 million), which were mainly related to plants construction and acquisition of machinery.

Pledge of Assets

No property, plant and equipment of the Group were pledged as security for bank borrowings/facilities as at 31 December 2024 (as at 31 December 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

No material contingent liability existed as at 31 December 2024.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2024.

Significant Investments

As at 31 December 2024, the Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2024.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group has adopted a prudent approach on treasury management for the purpose of allocating sufficient financial resources to different subsidiaries within the Group with minimised amount of financial cost.

The Group's revenue was mainly denominated in USD, EUR and RMB while most of the cost of sales was denominated in RMB, TL, EUR and MXN. As a result, exchange rate fluctuations between the above-mentioned foreign currencies against HK$ could affect the Group's performance and asset value in the reporting currency of HK$.

To reduce the exposure to foreign currency exchange risk, the Group's management monitors the foreign exchange rates from time to time and may adjust the currency mix of the loan portfolio in a proportion that resembled the respective underlying revenue currency proportion with a view to reducing the impact of exchange rate fluctuations. During the year ended 31 December 2024, the Group increased the split of RMB bank borrowings to 48.9% (as at 31 December 2023: 37.1%) to take advantage of relatively lower borrowing cost of RMB denominated bank loans. The remaining borrowing currency was predominately in HKD. As at 31 December 2024, HK$773.1 million of borrowings were at fixed interest rates, while the cash and cash equivalents were mainly denominated in RMB, USD, TL, MXN and HK$.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2024, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2024, the Group had 7,778 full-time employees of whom 5,918 were based in Mainland China and 1,860 were based in Turkey, Germany, Czech Republic, Mexico, Hong Kong, United States and Luxembourg. The total staff costs, including the emoluments of the Directors, amounted to HK$1,310.0 million for the year ended 31 December 2024 (2023: HK$1,167.0 million).

The management of the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are generally competitive and consistent with the prevailing levels in the market and are reviewed on a regular basis. Apart from basic remuneration and the statutory retirement benefit scheme, discretionary bonuses and share option may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

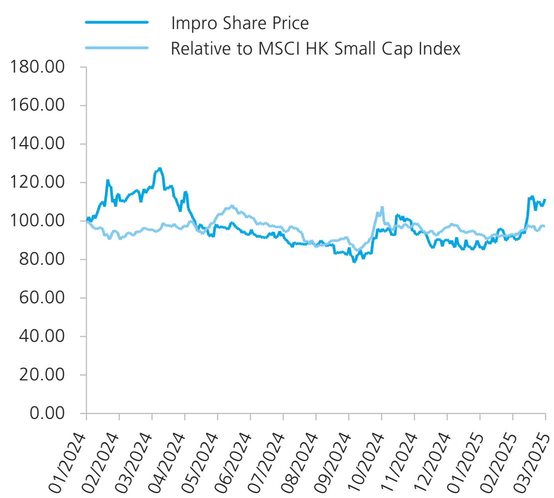
INVESTOR RELATIONS

Impro's success hinges on the long term support of our Shareholders. We maintain an effective engagement with investors through meetings, participation in investment conferences, plant visits as well as roadshows. This is to ensure they have a thorough understanding of our business, and to provide them with updates on our operations.

SHAREHOLDER VALUE

We are committed to creating sustainable value for our Shareholders, as evidenced by the increasing dividend payout ratio and dividend payment amount over the past 5 years. Since its listing on 28 June 2019, the Company has distributed dividends of approximately HK$1,160 million to Shareholders, which exceeded the proceeds of approximately HK$1,150 million raised from the public offering when the Company was listed. Due to our strong reputation and consistent business performance, the Company is widely recognised by capital markets. As of the date of this report, the Company is a constituent of MSCI Hong Kong Micro Cap Index, MSCI AC Asia Pacific All Cap Index and MSCI ACWI All Cap Index.

IMPRO SHARE PRICE SINCE 2024



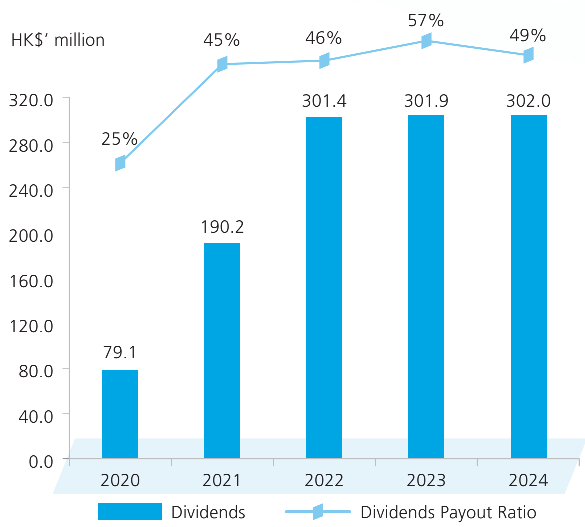
Dividend Payments

The Group's dividend payout ratio is linked to its operating earnings performance, financial position and future investment opportunities. Taking into account the sound cash flow position and business prospect of the Group, the Board resolved to declare a second interim dividend of 2024 of 8.0 HK cents per share. Along with the first interim dividend of 2024 of 8.0 HK cents per share, dividend for the year amounted to 16.0 HK cents per share or equivalent to a 49% dividend payout ratio based on the adjusted profit attributable to Shareholders for the financial year 2024. Details of the Group's dividend policy are set out in the Report of the Directors on page 60.

Share Price Performance

For the year ended 31 December	2024
Highest closing price	**HK$3.01**
Lowest closing price	**HK$1.74**

DIVIDENDS AND DIVIDEND PAYOUT RATIO IN LAST 5 YEARS



INVESTOR RELATIONS

CORPORATE GOVERNANCE

We believe that high standards of corporate governance are required to execute corporate strategy well and generate increasing value for shareholders over the long term. Details of our progress in this respect can be found in the corporate governance report on pages 37 to 53.

INVESTOR COMMUNICATIONS

We make every effort to maintain an open dialogue with shareholders and potential investors, listening carefully to all views expressed and keeping stakeholders fully informed of material developments. The channels we use to communicate with stakeholders include:

- Analyst briefings on the Group's interim and annual results, including presentation materials posted on the corporate website
- Investor conferences and post-results roadshows
- Meetings and conference calls
- Visits to the Group's manufacturing facilities in China, Turkey and Mexico
- An easily accessible Investors section on the corporate website, containing all key information, including an Investors Calendar section listing all the Company's investor relations events
- Monthly IR newsletter
- A designated email for investors that makes communication easier

In addition to meeting with institutional investors, the Group also values its communication with retail investors. Therefore media briefings are held regularly to update the media the Group's latest development to increase its transparency to retail investors. The Group has also set up Impro Precision on numerous popular social media platforms and online stock trading apps subscription page for posting its latest information regularly. The Group expects to enhance constructive and engaging conversations with various stakeholders from Hong Kong, China and overseas via those platforms.

LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited: 1286

SHARE INFORMATION

Board lot: 1,000 shares

Issued shares as at 31 December 2024: 1,887,285,665

DIVIDEND

Dividend per share for the year ended 31 December 2024
— First interim dividend: 8.0 HK cents per share
— Second interim dividend: 8.0 HK cents per share

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS

FINANCIAL CALENDAR

2025

24 March 2025	Ex-dividend date
25 March 2025, 4:30 p.m.	Latest time to lodge share transfer
26 – 28 March 2025 (both days inclusive)	Closure of Register of Members — Payment of 2024 second interim dividend
28 March 2025	Record date of 2024 second interim dividend
8 April 2025	Payment of 2024 second interim dividend
2 – 8 May 2025 (both days inclusive)	Closure of Register of Members — Annual General Meeting
8 May 2025	2024 Annual General Meeting
August 2025	2025 Interim Results Announcement

INVESTOR RELATIONS CONTACT AND WEBSITE

Investor Relations Department

Unit 803, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Tel: (852) 2572 8628
Fax: (852) 2572 8638
Email: ir@impro.com.hk
www.improprecision.com/investors

CORPORATE SUSTAINABILITY

As the world's leading investment casting component manufacturer, the Group has established strategic and long-term cooperative relationship with global recognized industrial leaders, and has passed their strict certification requirements. Driven by the requirements of various systems, we continue to optimize the quality of products and services with innovative technologies, initiate the creation of green and safe production environment with our sense of responsibility of a social citizen, attract excellent talents with incentive and supportive ideas, and contribute to the community.

During the year, the Group deepened its commitment and actions on reducing greenhouse gas emission in the Group's manufacturing plants. In December 2024, Impro China Headquarters launched the Group's second energy launched storage power station after the first one in Impro Yixing plant in April 2024. The maximum output of the power station is 20MWh and the maximum storage capacity can reach 40MWh capacity, which is the largest in the Wuxi region. This station stores electricity during off-peak hours and releases it during peak times, reducing energy costs and supporting grid stability. It promotes renewable energy usage, aligns with sustainability goals, and contributes to a greener economy with lower carbon emissions. The Group's greenhouse gas emission intensity decreased by 0.2% year-on-year if taking out the two newly completed China plants in Nantong and Zhenjiang during the year. On an accumulated basis since 2020, the Group has accomplished 2030 greenhouse gas emission and water consumption intensity reduction goals and reduced these intensities by 40.0% and 55.9%, respectively. The Group has also made progress with waste disposal intensity, with 87.8% of waste being recycled in 2024, compared to 76.9% in 2023.

Our 2030 Goals

- GHG emission intensity ⬇**30%** compared to 2020
- Energy consumption intensity ⬇**30%** compared to 2020
- Water consumption intensity ⬇**40%** compared to 2020

The footprints of the Group have reached various regions around the world and we endeavor to create value for the local communities in the places where we operate, to invest in the well being of our people and to operate in accordance with high ethical and environmental standards. In the second half of 2024, the Group commenced the second phase construction of the Mexico SLP Village, adding two employee dormitories. Together with the existing two dormitories in Phase I, these will accommodate over 500 employees, while also providing various employee leisure facilities to improve employees' quality of life and overall well-being.

During the year, the Group was awarded "Sustainable Corporate (Environmental) — Outstanding Award" at Standard Chartered Corporate Achievement Awards 2024. In December 2024, the Group was awarded the Bronze Medal for the third consecutive years by EcoVadis, a global reputable corporate social responsibility rating agency, signifying the Group's outstanding corporate social responsibility and sustainability achievements.

The Group reports its sustainability performance in details in a separate 2024 ESG Report. The report is available in English and traditional Chinese. It is prepared in accordance with the Environmental, Social and Governance Reporting Code (formerly named as the Environmental, Social and Governance Reporting Guide) in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the GRI Standards issued by the Global Reporting Initiative (the "GRI") in 2021, and with reference to the United Nation's Sustainable Development Goals (the "SDGs"). Past ESG reports are available at Company's and also in the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FRAMEWORK

The Company has adopted the principles and code provisions according to the Corporate Governance Code (the "**CG Code**") of Appendix C1 of the Listing Rules as the basis of the Company's corporate governance practices with effect from the Listing Date.

The Company is committed to maintaining high standards and has applied the Principles that are set out in the CG Code as set out in Appendix C1 of the Listing Rules. The Company's corporate governance practices are based on these Principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

In the opinion of the Directors, the Company has complied with all the code provisions of the CG Code and to a large extent the recommended best practices in the CG Code during the year ended 31 December 2024, except for the deviation from code provision C.2.1 of the CG Code as described below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. LU Ruibo ("**Mr. LU**") is our Group's Chairman and CEO. Since the founding of our Group in 1998, Mr. LU has been responsible for formulating our overall business development strategies and leading our overall operations, and therefore has been instrumental to our growth and business expansion. Mr. LU's vision and leadership have played a pivotal role in our Group's success and achievements to date, and therefore our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. Our long-serving and outstanding senior management team and our Board, which comprise experienced and high-caliber individuals, provide a check on balance of power and authority. Our Board comprises four executive Directors (including Mr. LU) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

BOARD OF DIRECTORS

Roles and Responsibilities

The Group endeavours to enhance corporate efficiency and profitability through the Board. The directors recognise their collective and individual responsibility to the shareholders and perform their duties diligently to contribute to positive results for the Group and maximise returns for shareholders.

CORPORATE GOVERNANCE REPORT

The Board's focus is on the formulation of business strategy and policy, and control. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include, but not limited to the following:

— determining business plans and strategies, risk management, internal control;
— preliminary announcements of interim and annual results, and interim and annual reports;
— dividend policy;
— annual and quarterly financial forecast;
— major corporate activities such as material acquisitions and capital expenditures; and
— Directors' appointment, re-election and recommendations.

The Board may delegate part of its functions and duties to executive committees and day-to-day operational responsibilities are specifically delegated to the management, specifying matters which require approval by the Board.

The Company has arranged a Directors' and Officers' liability insurance policy, and the insurance coverage and the sum insured under the policy are renewed annually.

Board Composition

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance. It recognises diversity at Board level is an essential element in maintaining competitive advantage and sustainable development. The Board considers it vital to have the appropriate balance of skills, experience and diversity of perspectives that are needed to support the execution of its business strategies.

As at 31 December 2024, the Board comprised four executive Directors and three independent non-executive Directors, whose biographical details are set out in the section headed "Directors and Senior Management" on pages 54 to 59 of this annual report.

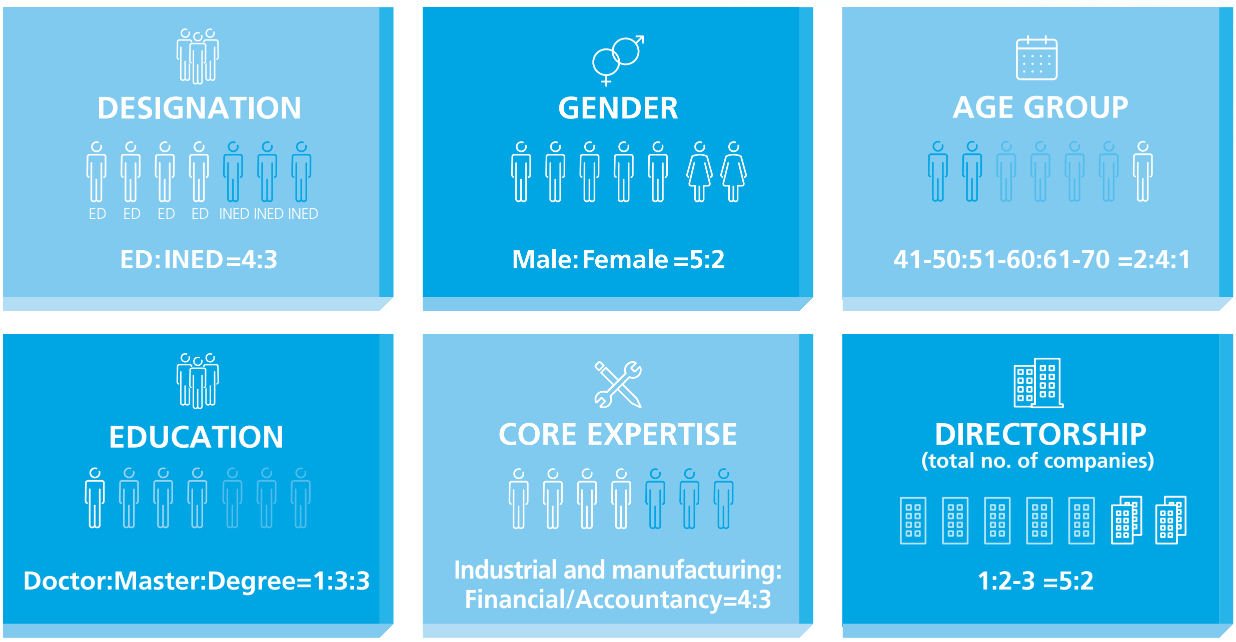
	Name of Directors	**Relevant Board Committees**
Executive Directors (EDs)	Mr. LU Ruibo *(Chairman and CEO)*	NC RC
	Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)	
	Mr. YU Yuepeng	SC
	Ms. ZHU Liwei	SC
	Mr. WANG Dong	SC
Independent Non-executive Directors (INEDs)	Mr. YU Kwok Kuen Harry (resigned with effect from 31 December 2024)	AC RC
	Dr. YEN Gordon	AC NC SC
	Mr. LEE Siu Ming	AC NC RC SC
	Mrs. CHOW Lok Mei Ki Cindy (appointed with effect from 31 December 2024)	AC RC

The Company has received from all independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive Directors to be independent.

In compliance with Rule 3.09D of the Listing Rules, Mrs. CHOW Lok Mei Ki Cindy, who was appointed as an independent non-executive Director with effect from 31 December 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 31 December 2024. Mrs. CHOW Lok Mei Ki Cindy has confirmed that she understood her obligations as a Director of the Company.

Board Diversity

The Company has reviewed board diversity policy during the year ended 31 December 2024. In designing, reviewing and assessing the Board's composition, board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted to being a director. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for it to be effective. The analysis of the Board's composition as at 31 December 2024 is:



As for the gender composition, currently the Board has two female directors and one female senior management. The Board considered that we already have some extent of gender diversity in both board and senior management team perspectives and will continue to identify suitable candidate(s) on further enhancing the gender diversity in the future. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and provide more suitable on-job training to them, so that we will have a pipeline of female senior management and potential successors to the Board in near future.

CORPORATE GOVERNANCE REPORT

As at 31 December 2024, the Group had a total of 7,778 staff, comprising 5,640 male staff and 2,138 female staff. As such, the Group has achieved gender diversity in respect of its workforce. The Group will continue to strive to enhance female representation and achieve and maintain an appropriate balance of gender diversity in its workforce in near future.

Note: Directorship (total number of companies) including the Company but excluding unlisted company(ies) in all countries.

Appointment and Re-election of Directors

There is a written nomination policy and process (a formal, considered and transparent process) for the selection and appointment of new director(s) and there is a plan in place for orderly succession for appointments. All Directors are subject to retirement by rotation at least once every three years.

The independent non-executive Directors have letters of appointment from the Company for a term of three years. They are subject to retirement by rotation and are eligible for re-election at the AGM at least once every three years.

Board Independence

The Board has established mechanisms to ensure that a strong independent element on, and independent views and input are available to, the Board.

(a) Composition of the Board and Board Committees

- Independent non-executive Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge to the management. The Board should ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

- Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

(b) Assessment of Independence

- The Nomination Committee adheres to the nomination policy, its terms of reference and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of Independent Non-executive Directors.

- Each of the independent non-executive Directors is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

- The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

(c) Compensation

- According to the CG Code, no equity-based remuneration (e.g. share options) with performance related elements will be granted to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(d) Board Decision-Making

- All of the Directors are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company Secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

- All of the Directors shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

- The Chairman shall, at least annually, hold meetings with the independent non-executive directors without the presence of other Directors to discuss major issues and any concerns.

(e) Review of the Mechanisms Implementation

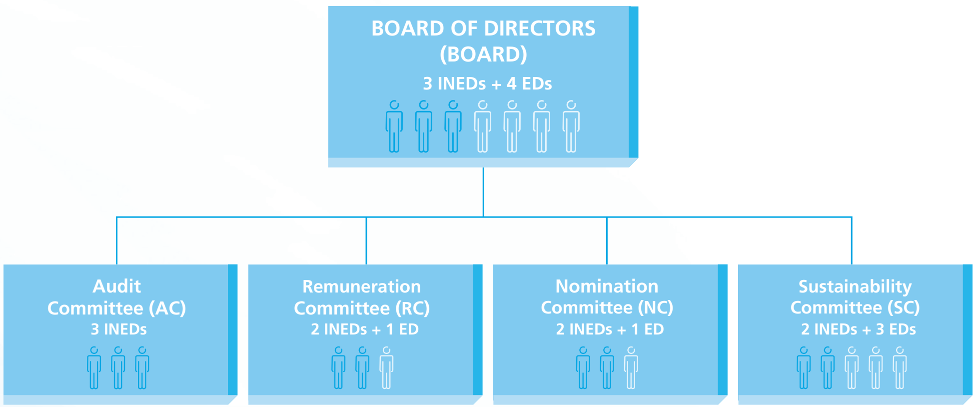
- The Board shall, or may designate a board committee to, make an annual review of the implementation and effectiveness of these mechanisms.

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of independent non-executive directors as mentioned in item (a) above. During the year, the Board reviewed the implementation and effectiveness of the mechanisms and was satisfied that the relevant measures and mechanisms were robust and implemented effectively.

Board Committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. The Audit Committee only comprises independent non-executive Directors as members in order to ensure independence, while the Remuneration Committee and the Nomination Committee comprise a majority of independent non-executive Directors so that effective independent judgement can be exercised.

The following chart shows the corporate governance structure of the Board as at 31 December 2024:



The reports of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee for the year are set out below.

In order to comply with the Listing Rules and the CG Code, the terms of reference of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee of the Company and the list of directors and their roles and functions are regularly revised and updated, and are published on the websites of the Company and the Stock Exchange respectively.

AUDIT COMMITTEE REPORT

The Audit Committee comprised three members, each of whom is an independent non-executive Director:

- Mr. YU Kwok Kuen Harry (Chairman) (resigned with effect from 31 December 2024)
- Mrs. CHOW Lok Mei Ki Cindy (Chairperson) (appointed with effect from 31 December 2024)
- Dr. YEN Gordon
- Mr. LEE Siu Ming

The Board considers the Audit Committee to have appropriate, relevant financial, accounting and auditing experience and each member is independent as required by the Listing Rules. The Audit Committee met two times during the year ended 31 December 2024 and all members attended each meeting. The Chief Financial Officer attended the meetings of the Audit Committee by invitation. The members of the Audit Committee remained in close contacts between meetings.

The main duties of the Audit Committee are as follows:

(i) to review the half-year and annual consolidated financial statements before they are submitted to the Board for approval;
(ii) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
(iii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
(iv) to review the Company's financial controls, internal controls and risk management systems;
(v) to review the Group's financial and accounting policies and practice; and
(vi) to review and monitor the effectiveness of the internal audit function.

Details of the Audit Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

The Audit Committee reviewed the unaudited consolidated financial statements for the six months ended 30 June 2024 and the audited consolidated financial statements for the year ended 31 December 2024 together with the external auditors satisfying itself as to the extent of work done by the external auditors, the consistent application of Group's accounting policies, the appropriateness of financial judgements applied. In view of their material significance to the Group, the Audit Committee has given ongoing attention to the loss allowance for trade receivables, valuation of inventory and potential goodwill impairment. The Audit Committee was satisfied with the outcome of its various reviews and recommended the consolidated financial statements to the Board for approval. The Audit Committee also had conducted a review of the effectiveness of the system of internal control and internal audit function of the Group. The Board has not taken a different view from that of the Audit Committee regarding the selection, resignation or dismissal of the external auditors.

The Audit Committee reviewed the work plan by the Internal Audit Department to ensure that, over a number of years, all areas of the Group are audited as regards financial and material internal controls. As the work is carried out, detailed reports are submitted to the Audit Committee for review and comment before being released more generally. The Audit Committee satisfies itself as to the quality and focus of the work done by the Internal Auditors, they have been given appropriate access and co-operation in conducting their work and that senior management is overseeing the implementation of any remedial actions required. Occasionally, the Chief Executive Officer or the Board may require the Internal Audit Department to focus on a short-term, urgent matter and the agreement of the Audit Committee is sought. The Audit Committee may from time to time recommend to the Chief Executive Officer proposals regarding the structure and staffing of the Internal Audit Department.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises three members:

- Mr. LEE Siu Ming (Chairman) — independent non-executive Director
- Mr. YU Kwok Kuen Harry — independent non-executive Director (resigned with effect from 31 December 2024)
- Mr. LU Ruibo — executive Director, CEO and chairman of the Board
- Mrs. CHOW Lok Mei Ki Cindy — independent non-executive Director (appointed with effect from 31 December 2024)

The Remuneration Committee met one time during the year ended 31 December 2024 and all members attended the meeting.

The main duties of the Remuneration Committee are as follows:

(i) to establish and review the policy and structure of the remuneration for the directors and senior management; and

(ii) to determine the remuneration packages of individual directors and senior management.

Details of the Remuneration Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

At Impro, remuneration and incentive schemes are linked to the achievement of current and next years' performance goals. All global staff positions, including executive directors and senior management, are governed by an evaluation methodology which takes into staff entrepreneurial spirit, proactiveness, innovativeness, leadership and execution ability, etc. Individual executive director and senior management acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as contribution to the business, employee retention and market remuneration. Annual incentives, when payable, are performance-based and include individual group company's and the Group's financial objectives as well as department objectives which may be non-financial (e.g. sustainability performance targets, etc.). No individual director or member of senior management team approves his or her own remuneration.

By providing total compensation at competitive industry levels, the Group seeks to attract, motivate and retain the key executives essential to its long term success. The Committee directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable companies around the world. Senior management and certain employees were also granted Pre-IPO Share Options so as to align the long term interest of management with those of shareholders.

During the year ended 31 December 2024, the Remuneration Committee discussed and agreed on:

(a) current remuneration structure of the executive Directors and senior management;
(b) 2024 remuneration packages of independent non-executive Directors and executive Directors, and senior management; and
(c) 2025 annual guaranteed remuneration of independent non-executive Directors and executive Directors and senior management, and their key performance indicators bonus targets and computation criteria.

In determining the level of remuneration and fees paid to independent non-executive Directors for the Board approval, a review of current practices in comparable companies is regularly conducted.

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises three members:

- Mr. LU Ruibo (Chairman) — executive Director, CEO and chairman of the Board
- Dr. YEN Gordon — independent non-executive Director
- Mr. LEE Siu Ming — independent non-executive Director

The main duties of the Nomination Committee are as follows:

(i) to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
(ii) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
(iii) to assess the independence of the INEDs of the Company; and
(iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive.

Details of the Nomination Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2024, the Nomination Committee held one meeting and all members attended the meeting, to (i) review the structure, size and composition of the Board and (ii) assess the independence of INEDs. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional knowledge and experience, industry knowledge and experience and technical skills. The Nomination Committee would consider and, where applicable, agree on measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Nomination Committee has not set any measurable objectives for implementing the policy. The Nomination Committee considered the current composition of the Board to be appropriate taking into account of the above.

CORPORATE GOVERNANCE REPORT

SUSTAINABILITY COMMITTEE REPORT

The Sustainability Committee comprises five members:

- Dr. YEN Gordon (Chairman) — independent non-executive Director
- Mr. LEE Siu Ming — independent non-executive Director
- Mr. YU Yuepeng — executive Director
- Ms. ZHU Liwei — executive Director
- Mr. WANG Dong — executive Director

The main duties of the Sustainability Committee are as follows:

(i) to review, formulate and endorse sustainability standards, priorities and goals of the Group;

(ii) to review and advise the Board on ESG reporting of the Company as regards its performance on sustainability matters, including, without limitation:
- determining the appropriate international or national standard (if any) on sustainability that the Company will monitor and report to on an annual basis;
- preparing an annual ESG report on its activities for inclusion in the annual report of the Company or as a separate report for publication on the websites of the Stock Exchange and the Company; and
- reviewing and recommending to the Board for approval the annual ESG Report, and making recommendations on specific actions or decisions the Board should consider in order to maintain integrity of the ESG Report;

(iii) Sustainability performance
- to oversee, review and evaluate the Company's performance against the appropriate international or national standard (if any) on sustainability; and
- to recommend strategies for improvements in the sustainability performance of the Company;

(iv) to advise the Board on the adoption of sustainability targets and measures; sustainability risks and opportunities.

Details of the Sustainability Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2024, the Sustainability Committee held one meeting and all members attended the meeting, to (i) review, formulate and endorse sustainability standards, priorities and goals of the Group; and (ii) review and advise the Board on ESG report as regards its performance on sustainability key performance indicators (ESG KPIs) during the year ended 31 December 2024.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

Details of the emoluments paid or payable to the Directors and chief executive officer ("**CEO**") for the year ended 31 December 2024 are as follows:

	Directors' Fees HK$'000	Salaries, allowances and benefits HK$'000	Discretionary bonuses HK$'000 (note ii)	Retirement benefit schemes contributions HK$'000	Share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2024						
Executive Directors (note i):						
Mr. LU Ruibo *(Chairman & CEO)*	320	2,957	–	405	–	3,682
Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)	160	1,190	157	60	–	1,567
Mr. YU Yuepeng	320	1,313	646	118	8	2,405
Ms. ZHU Liwei	320	1,315	1,012	118	8	2,773
Mr. WANG Dong	320	1,316	1,182	116	8	2,942
Independent Non-executive Directors:						
Mr. YU Kwok Kuen Harry (resigned with effect from 31 December 2024)	320	–	–	–	–	320
Dr. YEN Gordon	320	–	–	–	–	320
Mr. LEE Siu Ming	320	–	–	–	–	320
Mrs. CHOW Lok Mei Ki Cindy (appointed with effect from 31 December 2024)	–	–	–	–	–	–
	2,400	8,091	2,997	817	24	14,329

Notes:

(i) The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The amounts represent discretionary bonuses paid to the Directors to reward their contributions to the Group, based on the performance of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2024, and there was no arrangement under which a shareholder of the Company waived or agreed to waive any dividends for the same period.

FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS AND SENIOR MANAGEMENT'S REMUNERATION

The five individuals with the highest emoluments in the Group include two Directors of the Company. The emoluments of the five highest paid individuals are as follows:

	2024 HK$'000
Directors' fees	640
Salaries and allowances	11,731
Discretionary bonuses	3,117
Share-based payments	17
Retirement benefits schemes contributions	1,156
Total	16,661

Their emoluments were within the following bands:

	Number of directors	Number of employees
HK$2,500,001 to HK$3,000,000	1	0
HK$3,000,001 to HK$3,500,000	0	2
HK$3,500,001 to HK$4,000,000	1	1
	2	3

For the year ended 31 December 2024, no emoluments were paid by the Group to any of the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors of the Company has waived any emoluments for the year ended 31 December 2024.

SENIOR MANAGEMENT'S REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose profiles are set out on pages 54 to 59 of this annual report, for the year ended 31 December 2024 were within the following bands:

	Number of senior management
HK$Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$3,000,001 to HK$3,500,000	2
HK$3,500,001 to HK$4,000,000	1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remains informed and relevant. All Directors are encouraged to participate in continuous professional trainings at the Company's expenses. All Directors participated in appropriate continuous professional development activities including the Company's in-house update training for Directors for the year ended 31 December 2024, and relevant training records have been maintained by the Company for accurate and comprehensive record keeping. The Company Secretary has confirmed that he has complied with the training requirements that he took no less than 15 hours professional training under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE

Details of Directors' attendance at the Board, board committees' meetings and annual general meeting held for the year ended 31 December 2024 are set out in the table below:

Name of Directors	Annual General Meeting	Board[1]	Audit Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
	Number of Meetings Attended/Held					
Executive Directors (EDs)						
Mr. LU Ruibo	1/1	6/6		1/1	1/1*	
Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)	1/1	6/6				
Mr. YU Yuepeng	1/1	6/6				1/1
Ms. ZHU Liwei	1/1	6/6				1/1
Mr. WANG Dong	1/1	6/6				1/1
Independent Non-executive Directors (INEDs)						
Mr. YU Kwok Kuen Harry (resigned with effect from 31 December 2024)	1/1	6/6	2/2*	1/1		
Dr. YEN Gordon	1/1	6/6	2/2		1/1	1/1*
Mr. LEE Siu Ming	1/1	6/6	2/2	1/1*	1/1	1/1
Mrs. CHOW Lok Mei Ki Cindy (appointed with effect from 31 December 2024)	–	–	–	–	–	–
Approximate average duration per meeting (hour)	0.5	1.0	1.0	0.5	0.5	0.5

*: representing chairman of the Board or relevant board committees.

Note:

(1) The above figures exclude resolutions in writing signed by all Directors, and meetings between the Chairman and INEDs without the presence of EDs.

EXTERNAL AUDITOR

The Group's independent external auditor is KPMG. The external auditor is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process. It receives a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

For the year ended 31 December 2024, the total fee paid/payable in respect of services provided by KPMG were HK$8.0 million (2023: HK$7.3 million), comprising fees for audit services of HK$5.6 million (2023: HK$5.8 million) and for non-audit services (tax compliance) of HK$2.4 million (2023: HK$1.5 million).

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to the regulators as well as to disclose information required pursuant to statutory requirements. The statement of the external auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. When the directors become aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, such uncertainties would be set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about its reporting responsibilities and opinion on the consolidated financial statements of the Group for the year ended 31 December 2024 is set out in the Independent Auditor's Report on pages 76 to 83 of this annual report.

INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT

The Board is responsible for ensuring that a sound and effective system of internal control and enterprise risk management is maintained within the Group, and for reviewing its design and operational adequacy and effectiveness through the Audit Committee.

The internal control and enterprise risk management system, which includes a defined management structure with specified limits of authority and control responsibilities, is designed to (a) help the achievement of business objectives and safeguard the Group's assets; (b) ensure proper maintenance of accounting records and reliability of financial reporting; (c) ensure compliance with relevant legislation and regulations; and (d) identify, manage and mitigate key risks to the Group.

CORPORATE GOVERNANCE REPORT

The internal control and enterprise risk management system is established to ensure reasonable, but not absolute assurance against material misstatement or loss and to manage, but not to eliminate risks of failure in achieving the Group's objectives.

Following a risk-based approach, the Group's Internal Audit Department independently reviews and tests the controls over various operations and activities and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the Audit Committee and senior management. In addition, progress on audit recommendations implementation is followed up on a regular basis and discussed with the Audit Committee.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's Internal Audit Department, accounting and financial reporting function and their training programs and budgets.

To supplement the above, under the Company's code of conduct, employees can report any ethical misconduct, impropriety or fraud cases within the Group to the Internal Audit Department in writing anonymously without the fear of recrimination.

Based on the results of evaluations and representations made by the management, the Group's Internal Audit Department and the external auditor, the Audit Committee is satisfied that:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and

- An appropriate, effective and adequate system of internal control and enterprise risk management has been in place throughout the year ended 31 December 2024, and up to the date of approval of the Annual Report.

SHAREHOLDERS' RIGHTS

The Group aims to establish fair and transparent procedures to enable all shareholders an equal opportunity to exercise their rights in an informed manner and communicate efficiently with the Group. Under the Articles of Association and the relevant policies and procedures of the Group, the shareholders have, among others, the following rights:

Convene an Extraordinary General Meeting

According to the article 58 of the Article of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

The procedures for shareholders to put forward proposals at an AGM or EGM include a written notice of those proposals being submitted by shareholders, addressed to the Company Secretary at the Company's headquarters at Unit 803, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution, or whether the proposal relates to the election of a person other than a Director of the Company as a director. The procedures for shareholders to convene and put forward proposals at an AGM or EGM (including election of a person other than a Director of the Company as a director) are available on the Company's website or on request to the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Pursuant to the code provision F.2.2 as set out in the CG Code, the Company has invited representatives of the external auditor of the Company to attend the AGM of the Company to be convened on 8 May 2025 to answer shareholders' questions relating to the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Board recognises the importance of communication with its shareholders and investors. The Company has established an Investor Relations Department to communicate with research analysts, institutional investors and shareholders in an on-going and timely manner, providing them necessary information, data and services to understand the Company's operations, strategies and development. The Company also issues press releases from time to time and responds to requests for information and queries from the investment community. Current information about the Company including the annual report, announcements, circulars and press releases can be downloaded from the Company's website (www.improprecision.com). Enquiries may be put to the Board by either contacting the Investor Relations Department through email at ir@impro.com.hk or raising questions at AGM. As there are various means of communication between shareholders and the Company as prescribed above, the Board considers there is existing effective shareholders' communication between shareholders and the Company during the year ended 31 December 2024.

CONSTITUTIONAL DOCUMENT

The Company's amended and restated Articles of Association which took effect from 2 May 2022 were further amended at the annual general meeting of the Company on 20 May 2024 with effect from the same day. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set forth in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the year ended 31 December 2024.

DIRECTORS AND SENIOR MANAGEMENT

OUR EXECUTIVE DIRECTORS

Mr. LU Ruibo (陸瑞博), previously known as LU Jianqiu (陸建秋), aged 61, is an executive Director, the Chairman of our Board and our Chief Executive Officer. Mr. LU has over 40 years' experience in mechanical engineering and industrial engineering. Mr. LU is the founder of our Group. With his extensive experience in manufacturing industry, Mr. LU is responsible for formulating our overall business development strategies and overseeing our Group's overall operations. Prior to founding our Group in September 1998, Mr. LU worked at Jiangyin Bearing Factory (江陰市軸承廠), which then specialized in the manufacturing of bearing products, from May 1992 to July 1998, and Jiangyin Micro-Bearing Factory (江陰市微型軸承廠), which then specialized in the manufacturing of micro-bearing products, from September 1988 to May 1992, where he was respectively responsible for overseeing the production process. During the period between August 1984 and September 1988, Mr. LU served as a technician at Wuxi Textile Machinery Special Parts Plant (無錫紡織機械專件廠) (previously known as Wuxi Textile Machinery Research Institute (無錫紡織機械研究所), an entity in China engaged in the production of machine parts for textile, and thereby accumulated practical experience in managing the production process in manufacturing businesses.

Accumulated working experience equipped Mr. LU with the necessary management skills and industry experience in managing manufacturing businesses in China and overseas.

Mr. LU obtained a bachelor's degree in engineering, majoring in mechanical manufacturing processes and equipment, from Northeastern Heavy Machinery Institute (東北重型機械學院) (currently known as Yanshan University 燕山大學), the PRC, in July 1984. Mr. LU is the spouse of Ms. Wang Hui, Ina. Over the past three years, Mr. LU has not acted as a director in other listed companies.

Mr. YU Yuepeng (余躍鵬), aged 54, is an executive Director and our Group's Vice President leading the operations and sales support for Plant 5, the investment casting plant and sand casting plant in Mexico. Mr. YU joined us in September 1998 and has worked as the director and chief manager of Impro Aerotek, the deputy chief manager of Impro China, the assistant manager and the assistant to chief manager of Impro-Bees Hydraulics. Mr. YU is currently president of Impro China and vice president of Impro Industries Mexico.

Mr. YU obtained a bachelor's degree in agricultural mechanics from Nanjing Agricultural University (南京農業大學), the PRC, in July 1994. Over the past three years, Mr. YU has not acted as a director in other listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. ZHU Liwei (朱力微), aged 56, is an executive Director and our Group's Vice President leading the operations of Plant 3, Plant 4 and Plant 8 in the China region and the Impro Aerotek Business Unit. Ms. ZHU has more than 30 years' experience in the industrial engineering industry. Ms. ZHU joined Wuxi Viking, the predecessor of Impro China, in July 1995 and from September 1998 to September 2006, Ms. ZHU was its general manager responsible for its daily operations. Ms. ZHU was our Vice President from September 2006 to December 2017, responsible for the purchasing department of the China region and the operations of our Plant 2, Plant 3 and Plant 4. Ms. ZHU has been in charge of the aerospace and medical business of our Group since January 2013. Ms. ZHU is currently the president of Impro Aerotek.

Ms. ZHU obtained a bachelor's degree in engineering economics and a master's degree in industrial engineering from Shanghai Jiao Tong University (上海交通大學), the PRC, in July 1991 and March 2005, respectively. In November 2006, Ms. ZHU was awarded the title of "Senior Economist" (高級經濟師) by the Jiangsu Province Personnel Affairs Bureau (江蘇省人事廳), a provincial government authority responsible for employment and personnel matters, and awarded the title of "Chief Economist" (正高級經濟師) on 11 December 2019, recognizing her expertise and experience in management, economy employment and personnel matters. Over the past three years, Ms. ZHU has not acted as a director in other listed companies.

Mr. WANG Dong (王東), aged 49, is our executive Director and is responsible for the operations and sales support of Plant 2. Mr. WANG has more than 20 years' experience in manufacturing of high-precision machining components and parts. Mr. WANG joined us in October 2001 and worked as the manager for production and logistics of Wuxi Impro-Bees Machinery Co., Ltd (now trading as Impro-Bees Hydraulics); the deputy general manager of Impro China; the deputy general manager of Impro Aerotek; the executive deputy general manager of Impro Yixing; the director of Impross Impeller and the executive director and general manager of Impro Taizhou. Before joining us, Mr. WANG served as a technician and an engineer at Wuxi Weifu Group Co., Ltd. (無錫威孚集團公司), a company engaged in the development, manufacturing and supply of components and parts for trucks, passenger cars, and construction machines, from July 1998 to July 2000, where he was responsible for product development.

Mr. WANG obtained a bachelor's degree in mechanical and electronic engineering from Xi'an University of Technology (西安理工大學), the PRC, in July 1998. Over the past three years, Mr. WANG has not acted as a director in other listed companies.

DIRECTORS AND SENIOR MANAGEMENT

OUR INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. YEN Gordon (嚴震銘), aged 55, was appointed as our independent non-executive Director on 1 April 2019. Dr. YEN also serves as the chairman of the Sustainability Committee and a member of the Audit Committee and the Nomination Committee. Dr. YEN is currently the founding managing partner of Radiant Tech Ventures Limited, an innovation and technology venture capital firm, and is registered as a responsible officer under the SFO for Type 9 (asset management) regulated activity. Dr. YEN has over 25 years of management and operational experience in private and listed companies in investment, global supply chain, manufacturing and infrastructure industries. Dr. YEN was an independent non-executive director of Hopewell Holdings Limited (a company then listed on the Stock Exchange, former stock code: 54) from May 2012 to May 2019. Dr. YEN has also been the non-executive vice chairman and a non-executive director of Fountain Set (Holdings) Limited (a company listed on the Stock Exchange, stock code: 420) since 28 August 2018 and May 2013, respectively. He has also been the independent non-executive director of Asia Allied Infrastructure Holdings Limited (a company listed on the Stock Exchange, stock code: 711) since September 2021.

Dr. YEN obtained a bachelor's degree of science in manufacturing engineering from Boston University, the United States, in May 1990; a master of business administration from McGill University, Canada, in June 1992, and a doctor's degree of business administration from The Hong Kong Polytechnic University in December 2005.

Mr. LEE Siu Ming (李小明), aged 49, was appointed as our independent non-executive Director on 1 April 2019. Mr. LEE also serves as the chairman of the Remuneration Committee, a member of each of the Audit Committee, the Nomination Committee and the Sustainability Committee. Mr. LEE has been the managing director and head of corporate coverage in Hong Kong of Natixis since June 2022. Mr. LEE was the chief strategy officer and head of capital markets/corporate finance of VPower Group International Holdings Limited (a company listed on the Stock Exchange, stock code: 1608) between April 2017 and May 2022. Mr. LEE has over 20 years of experience in investment banking and asset management, and worked at a number of investment banking institutions in Hong Kong such as BOCI Asia Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, and BNP Paribas Peregrine Capital Limited from 1999 to 2016, where he participated in leading corporate finance and capital markets transactions.

Mr. LEE obtained a master's degree of business administration and a bachelor's degree of business administration from University of Wisconsin — Madison, the United States, in December 1997 and May 1997, respectively. In addition, Mr. LEE has obtained the Chartered Financial Analyst certification from the CFA Institute since May 2001.

DIRECTORS AND SENIOR MANAGEMENT

Mrs. CHOW Lok Mei Ki Cindy (周駱美琪), aged 54, was appointed as our independent non-executive Director on 31 December 2024. Mrs. CHOW also serves as the chairperson of the Audit Committee and a member of the Remuneration Committee. Mrs. CHOW has over 30 years of experience in finance, accounting and general management. Mrs. CHOW gained her professional accounting and auditing experience during 1992 to 1997 at Arthur Andersen & Co. Thereafter, she served in various private and public companies in financial and management reporting roles. She joined Alibaba.com Limited (a company formerly listed on the Stock Exchange, stock code: 1688) as senior finance director in 2007. Since November 2015, Mrs. CHOW has been serving as the executive director and CEO of Alibaba Hong Kong Entrepreneurs Fund, which is a not-for-profit initiative launched by Alibaba Group (a company listed on the Nasdaq Stock Market, stock code: BABA, and on the Stock Exchange, stock code: 9988), and is registered as a responsible officer under the SFO for Type 9 (asset management) regulated activity.

Mrs. CHOW also actively participates in public services. She was (i) a member of The Committee on Innovation, Technology and Re-industrialisation of the HKSAR Government from April 2017 to December 2022; (ii) the chairperson of Cyberport Investor Network from November 2019 to October 2022; (iii) a member of the vice-chancellor's Global Alumni Advisory Board of The Chinese University of Hong Kong from September 2020 to December 2023; and (iv) a member of the Innovation and Technology Advisory Committee of the Hong Kong Trade Development Council from April 2021 to March 2025. Besides, she has been (i) an advisor of Our Hong Kong Foundation since April 2020; (ii) a member of The Standing Committee on Language Education and Research of the HKSAR Government since July 2021; (iii) a member of The Committee on Self financing Post-secondary Education of the HKSAR Government since November 2023; (iv) a director of SEED Foundation Limited since November 2021; (v) a member of Occupational Safety & Health Council since August 2022; (vi) a board member of CUHK Innovation Limited since May 2023 and (vii) a member of InnoHK Steering Committee of the HKSAR Government since February 2025.

Mrs. CHOW obtained a bachelor's degree of business administration from The Chinese University of Hong Kong in 1992 and a master's degree of business administration from The Hong Kong University of Science and Technology in 2002. Mrs. CHOW is a member of Hong Kong Institute of Certified Public Accountants.

OUR SENIOR MANAGEMENT

Mr. IP Wui Wing Dennis (葉匯榮), aged 48, was appointed as our Group's Chief Financial Officer in December 2016 and Company Secretary in December 2017. Mr. IP is responsible for overseeing the finance, compliance, investor relations and company secretarial matters. Mr. IP also currently serves as a director of Impro Industries Mexico and Cengiz Makina. Prior to joining us, Mr. IP was the chief financial officer and executive director of Braiform Holdings Limited, which is a leading garment hangers and packing solutions provider, from November 2013 to December 2016. Before that, Mr. IP worked in several multinational companies and an international audit firm (Arthur Andersen & Co.), where he developed extensive experience in leading finance accounting, mergers and acquisitions, treasury, internal control, investor relations and corporate governance functions.

Mr. IP graduated from The Chinese University of Hong Kong, in December 1998 with a bachelor's degree in business administration. In November 2006, Mr. IP obtained a master's degree in business administration from The Hong Kong University of Science and Technology, Hong Kong. Mr. IP has been certified as a certified public accountant (CPA) by the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) since September 2001 and has been a fellow of HKICPA since March 2018. Mr. IP has obtained the Chartered Financial Analyst Certification from the CFA Institute since October 2003 and obtained the Certified Environmental, Social and Governance Analyst (CESGA®) certification from the European Federation of Financial Analysts Societies (EFFAS) in January 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. SUN Xiaohao (孫嘯昊), aged 48, was appointed as our Group's Vice President on January 2018 responsible for managing the Strategy, M&A and Integration of the Group, the information technology Center of the Group as well as the administration of the finance division in the China region. Moreover, Mr. SUN is also fully responsible for the formation of the Fluidtek business, the global strategy development and the global operations of the Group. Mr. SUN currently serves as the executive director of Impro Fluidtek, and the executive director and president of Cengiz Makina. Mr. SUN was the founding member and director of Cobalt Equity Partners since March 2017. From May 2005 to February 2017, Mr. SUN worked at General Electric ("**GE**"), at which, his last positions were director of GE private equity & business development and strategic partnership and marketing director of GE Capital China, and was responsible for equity investment in industrial sections, and managing business strategy and capital markets' business for joint ventures. From 1998 to 2005, Mr. SUN worked at a number of industrial and consumer goods manufacturers, primarily engaged in marketing, strategy and product management activities.

Mr. SUN obtained a master's degree of business administration from China Europe International Business School (CEIBS) (中歐國際工商學院), in April 2004, and a bachelor's degree of engineering, major in metal materials and heat treatment, from Shanghai Jiao Tong University (上海交通大學), the PRC, in July 1998. In addition, he obtained the certification as a GE Black Belt in Six Sigma from GE, in December 2006.

Mr. ZHUANG Xulei (莊緒雷), aged 50, is our Group's Vice President, the managing director and chief engineer of Plant 3, the executive director and general manager of Plant 4, and the executive director and general manager of Foshan Ameriforge. Mr. ZHUANG has over 20 years' experience in the industrial engineering industry. Mr. ZHUANG joined Wuxi Viking, the predecessor of Impro China, in September 1998. Since September 1998, he has held various positions in Impro China, including manager of investment casting products department, manager of automobile parts products department, deputy chief engineer and chief engineer of Impro China and Impro Aerotek.

Mr. ZHUANG obtained a bachelor's degree in mechanical design and manufacturing from Taiyuan Heavy Machinery Institute (太原重型機械學院) (currently known as Taiyuan University of Science and Technology (太原科技大學)), the PRC, in July 1998. In November 2005, he received Six Sigma Black Belt Certification from Caterpillar Inc.. Mr. ZHUANG was certified as an engineer by Wuxi City Human Resources and Social Security Department (無錫市人力資源和社會保障局) in September 2011 and a senior engineer by the Jiangsu Human Resources and Social Security Department (江蘇省人力資源和社會保障廳) in November 2017.

Mr. CHENG Daoguang (程道廣), aged 60, is the executive director and joint general manager of Impro Aerotek (Nantong) (鷹航南通). Mr. CHENG is responsible for implementing the business development, production and operations, and sales of the Impro Aerotek (Nantong) Plant and has 44 years of experience in the industrial engineering industry. Mr. CHENG joined Wuxi Viking (the predecessor company of Impro China) in September 1998. Since September 1998, he has held various positions in Impro China, including the chief engineer of Wuxi Viking, the general manager of Impro-Bees Machinery, the general manager of Impro Aerotek and the general manager of Impro-Bees Plating & Painting. Prior to joining Impro, he was the technical manager of Tianjin Bearing General Factory from 1988 to 1997.

Mr. CHENG obtained his bachelor's degree of engineering from Luoyang Engineering College (洛陽工學院) (currently known as Henan University of Science and Technology (河南科技大學)) in July 1988 and was awarded the title of Senior Engineer.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Haozhan (王好戰), aged 45, is our Group's Vice President managing Plant 1, Plant 6, Plant 7, Plant 9, Impro USA, Impro Europe, Impro Germany, sales and customer service center in the China region, as well as the international logistics and data management division. Mr. WANG currently also serves as the director of Impro Yixing and Impro Taizhou, the president of Impro Impeller and the director of Impro Industries Mexico. Prior to joining us in November 2019, Mr. WANG worked at 3M, a multinational manufacturing corporation, at which his last position was the director of Sales Excellence & Strategic Key Account Management of 3M China Industrial Business Group between February 2006 to November 2019. From April 2003 to February 2006, Mr. WANG worked in Shanghai Volkswagen Ltd, a leading automotive manufacturer, as engineer and manager assistant of department for Prototype Car Development and Road Testing in R&D Center, and responsible for sales and marketing planning, and dealership management.

Mr. WANG obtained a master's degree in automotive mechatronics in April 2003, and a bachelor's degree in engineering, major in thermal engine in July 2000, both from Shanghai JiaoTong University (上海交通大學), the PRC.

Mr. CHEN Kailiang (諶開良), aged 44, the managing director of each of Impro Europe, Impro Aerotek Europe, Impro Fluidtek Europe and Impro Germany, responsible for overall sales, business development and operations. Mr. CHEN also serves as the executive director of BFG-Czech and BFG-F, in charge of their overall business development and operations. Prior to joining us in November 2017, Mr. CHEN was vice president at Gerresheimer AG in Germany, a group principally engaged in the manufacture of specialty glass and plastic products for pharmaceutical and healthcare use, from January 2015 to October 2017, where he was in charge of operations in Europe. Before that, Mr. CHEN worked in several multinational companies in Europe, where he developed extensive experience in leading production, supply chain and business development.

Mr. CHEN obtained a master's degree in electrical engineering and information technology (majoring in mechatronics) from the Technical University of Munich, Germany, in June 2007.

Ms. ZHANG Mingmei (張明媚), aged 48, is our business development director. She has over 20 years' experience in the industrial engineering industry. Prior to joining Impro China in May 2001, Ms. ZHANG worked as a technician at Wuxi Drilling Tools Factory Co., Ltd (無錫鑽探工具廠有限公司), which is a company manufacturing drilling tools, from July 1997 to May 2001.

Ms. ZHANG graduated from Changchun University of Science and Technology (長春科技大學) (now merged into Jilin University (吉林大學)), the PRC, with a bachelor's degree in investigation engineering, in July 1997.

REPORT OF THE DIRECTORS

The Directors present this report together with the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 16 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 are provided in the Chairman's Statement and Management Discussion and Analysis sections respectively from pages 17 to 24 and pages 25 to 32 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 84 of this annual report.

The Board declared the first interim dividend of 8.0 HK cents per share, totaling HK$151.0 million which was paid on 6 September 2024.

The Board declared the second interim dividend of 8.0 HK cents per share for the year ended 31 December 2024, with a total amount of approximately HK$151.0 million, which is expected to be paid on Tuesday, 8 April 2025.

DIVIDEND POLICY

As disclosed in the Prospectus of the Company dated 28 June 2019, the Board intends to adopt a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 25% of our distributable net profit attributable to our equity shareholders in the future but subject to, among others, our operation needs, earnings, financial condition, working capital requirements and future business expansion plans as our Board may deem relevant at such time.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Thursday, 8 May 2025. Notice of the AGM will be sent to its Shareholders in due course. For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 2 May 2025 to Thursday, 8 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 30 April 2025.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on pages 181 to 182.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in Note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity and Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the distributable reserves of the Company available for distribution as dividends amounted to HK$1,527.7 million (2023: HK$1,821.3 million).

DONATIONS

During the year ended 31 December 2024, the Group made donations of HK$0.1 million (2023: HK$0.1 million).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of the Cayman Islands in relation to issues of new Shares by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 December 2024.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2024, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchase. The Group's largest customer accounted for approximately 14.3% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 43.3% of the Group's revenue during the financial year.

None of the Directors, their close associates or any shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any interest in the Group's five largest customers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasizes the personal development of its employees. The Group maintains a good relationship with its customers and suppliers. The Group aims to continue providing quality services and consumption experiences to its customers and establishing cooperation strategy with its suppliers.

RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group also participates in defined contribution retirement schemes organized by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. The Group also operates defined benefit retirement schemes for employees in Germany, Turkey and Mexico. Particulars of the retirement benefit schemes are set out in Note 29 to the consolidated financial statements.

DIRECTORS

During the year ended 31 December 2024 and up to the date of this report, the Directors of the Company were:

Executive Directors

Mr. LU Ruibo *(Chairman and Chief Executive Officer)*
Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)
Mr. YU Yuepeng
Ms. ZHU Liwei
Mr. WANG Dong

Independent Non-Executive Directors

Mr. YU Kwok Kuen Harry (resigned with effect from 31 December 2024)
Dr. YEN Gordon
Mr. LEE Siu Ming
Mrs. CHOW Lok Mei Ki Cindy (appointed with effect from 31 December 2024)

In accordance with Article 83 and 84 of the Articles of Association, Mr. YU Yuepeng, Ms. ZHU Liwei and Dr. YEN Gordon shall retire at the Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with article 83(3) of the Articles of Association, Mrs. CHOW Lok Mei Ki Cindy shall hold office until the Annual General Meeting and shall, being eligible, offer herself for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

The profiles of the Directors and the senior management are set out in the Directors and Senior Management section on pages 54 to 59.

DIRECTORS' SERVICE AGREEMENTS

Each executive Director and each independent non-executive Director has entered into a service agreement or letter of appointment with the Company for a term of three years. The service agreements and the letters of appointment are subject to termination in accordance with the respective terms. The service agreements and letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

The emoluments of Directors have been determined with reference to the skills, knowledge and involvement in the Company's affairs, the performance of each Director and the Company, and the prevailing market conditions during the year ended 31 December 2024.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service agreement with any member of the Group with an unexpired period which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in Note 32 to the consolidated financial statements.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and executive Directors (collectively, the "**Covenantors**") has entered into the Deed of Non-Competition in favour of our Company, pursuant to which each of the Covenantors has jointly and severally, irrevocably and unconditionally, undertaken with our Company (for itself and for the benefit of its subsidiaries) that with effect from the Listing Date and for so long as our Shares remain so listed on the Hong Kong Stock Exchange and the Covenantors, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue or otherwise regarded as controlling shareholders (as defined in the Listing Rules) of our Company, the Covenantors shall not, and shall procure that none of their associates (except any members of our Group) or affiliates shall:

(a) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or be in competition with any member of our Group in any business activities which any member of our Group may undertake in the future save for the holding of not more than five per cent shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong; and

(b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of any member of our Group including, but not limited to, solicitation of the customers, suppliers or personnel of any member of our Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, has undertaken to our Group that:

(a) if any new business opportunity relating to any of the products and/or services of the Group (the "**Business Opportunity**") is made available to any of the Covenantors or their respective associates (other than members of the Group), it shall direct or procure the relevant associate to direct such Business Opportunity to us with such required information to enable the Company to evaluate the merits of the Business Opportunity.

(b) in connection with the Business Opportunity, the relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to us to enable us to secure the Business Opportunity.

For the avoidance of doubt, none of the Covenantors and their respective associates (other than members of our Group) shall not pursue the Business Opportunity even though we decide not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company shall have been approved by our independent non-executive Directors.

During the year ended 31 December 2024, the Company had not received any information in writing from any of the Covenantors in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to the knowledge of the Covenantors or their associates (other than any member of the Group). Each of the Covenantors has made an annual declaration to the Company that he/she/it had fully complied with his/her/its obligations under the Deed of Non-competition during the year ended 31 December 2024.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company, its parent company or controlling shareholders or any of their respective subsidiaries was a party and in which a director of the Company or an entity connected with him (within the meaning of section 486 of the Hong Kong Companies Ordinance) had a material interest (whether directly or indirectly), was entered into in the year or subsisted at the end of the year or at any time during the year ended 31 December 2024. During the year ended 31 December 2024, there was no provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries, and no contract of significance was entered into.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save for the share options with details set out under the section headed "Share Option Scheme" in this annual report, at no time during the year ended 31 December 2024 was the Company, or any of its holding company or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked arrangement.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

THE COMPANY AND ASSOCIATED CORPORATION

(i) Long positions in the Shares and underlying Shares of the Company

Name of Directors	Nature of interest/capacity	Number of Shares or underlying Shares	Percentage of the Company's issued share capital(2)
Mr. LU	Interest in a controlled corporation (1)	1,348,118,787	71.43
	Spouse interest	300,000	0.02
	Beneficial owner	9,239,000	0.49

(ii) Interest in associated corporation

Name of Directors	Name of associated corporation	Number of shares	Percentage of shareholding interest
Mr. LU	Impro Development	1	100

Notes:

(1) All issued shares of Impro Development Limited ("**Impro Development**") are beneficially owned by Mr. LU and Mr. LU is the sole director of Impro Development. Accordingly, Mr. LU is deemed to be interested in the 1,348,118,787 Shares held by Impro Development under the SFO.

(2) The percentages were calculated based on the total number of 1,887,285,665 issued Shares as at 31 December 2024.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2024, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying Shares and debentures of the Company and associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2024, the interests and short positions of the persons, other than Directors and chief executive of the Company, (except for Mr. LU and his controlled entity) in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial shareholders	Nature of interest/capacity	Number of Shares held	Percentage of the Company's issued share capital[3]
Impro Development	Beneficial owner	1,348,118,787	71.43
Mr. LU	Interest in controlled corporation and beneficial owner	1,357,357,787	71.92
	Spouse interest	300,000	0.02
GT Cedar Capital (Hong Kong) Limited ("**GT Cedar**") [1]	Beneficial owner	104,205,123	5.52
Genertec Investment Management Co. Ltd. [2]	Interest in a controlled corporation	104,205,123	5.52
Genertec Capital Company Limited [2]	Interest in a controlled corporation	104,205,123	5.52
China General Technology (Group) Holding Company Limited [2]	Interest in a controlled corporation	104,205,123	5.52

Notes:

(1) GT Cedar is owned as to 80% by Genertec Investment Management Co. Ltd. and 20% by Genertec Hong Kong International Capital Limited.

(2) GT Cedar is owned as to 80% by Genertec Investment Management Co., Ltd. Genertec Investment Management Co. Ltd. is owned as to 99.7% by Genertec Capital Company Limited, a wholly-owned subsidiary of China General Technology (Group) Holding Company Limited. Under the SFO, Genertec Investment Management Co. Ltd., Genertec Capital Company Limited and China General Technology (Group) Holding Company Limited are deemed to be interested in the Shares held by GT Cedar.

(3) The percentages were calculated based on the total number of 1,887,285,665 issued Shares as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any persons other than the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 15 June 2018, the Company adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, pursuant to which the Company may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein.

As at 31 December 2024, there is no option outstanding pursuant to the Pre-IPO Share Option Scheme and there is no option granted under the Post-IPO Share Option Scheme since its adoption.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme is intended to provide employees of our Group with an opportunity to enjoy our success and incentives to their future performance. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Post-IPO Share Option Scheme except for the following:

(a) the subscription price per Share shall represent 20% discount to the Offer Price; and

(b) save for the options which have been granted, no further options would be offered or granted, as the right to do so was ended upon the Listing Date.

The table below sets forth the movement of share options granted to Directors and other grantees under the Pre-IPO Share Option Scheme during the year ended 31 December 2024:

				Number of options [1]				
Grantees	Date of grant	Exercise price per option	Exercise period	Outstanding as of 1 January 2024	Granted during the year	Exercised during the year	Expired or forfeited during the year	Outstanding as of 31 December 2024
Directors								
Ms. WANG Hui, Ina (resigned with effect from 29 June 2024)	28/6/2019 [2]	HK$2.4	29/06/2023-25/12/2024	500,000	–	–	(500,000)	–
Mr. YU Yuepeng	28/6/2019 [2]	HK$2.4	29/06/2023-25/12/2024	500,000	–	–	(500,000)	–
Ms. ZHU Liwei	28/6/2019 [2]	HK$2.4	29/06/2023-25/12/2024	500,000	–	–	(500,000)	–
Mr. WANG Dong	28/6/2019 [2]	HK$2.4	29/06/2023-25/12/2024	500,000	–	–	(500,000)	–
Other employees	28/6/2019 [2]	HK$2.4	29/06/2023-25/12/2024	5,181,506	–	–	(5,181,506)	–
				7,181,506	–	–	(7,181,506)	–

Notes:

(1) Number of options refers to the number of underlying Shares of the Company covered by the options under the Pre-IPO Share Option Scheme.

(2) These options shall vest in 3 equal tranches. The three tranches are exercisable during a period of 180 days immediately after the third, fourth and fifth anniversary of the Listing Date (both days inclusive).

(3) Since the Company's Shares were listed on 28 June 2019, the closing price of the Company's Shares immediately before the date on which the share options were granted was not applicable.

(4) Share options to subscribe for 627,492 Shares were forfeited and 6,554,014 Shares expired during the year ended 31 December 2024 following the cessation of employment of certain grantees and expiry of the second vesting period, respectively.

As at the date of this report, there were no outstanding share options that upon exercise of which Shares of the Company could be issued.

Save as disclosed above, no share options were granted, exercised, expired, forfeited or cancelled under the Pre-IPO Share Option Scheme for the year ended 31 December 2024.

POST-IPO SHARE OPTION SCHEME

The following is a summary of principal terms of the Post-IPO Share Option Scheme conditionally adopted by our Shareholders on 15 June 2018. The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant Options (as defined below) to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (a) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; (b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group; and/or (c) for such purposes as our Board may approve from time to time.

Eligible Participants shall be: (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the "**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (the "**Employee**"); (ii) a director or proposed director (including an independent non-executive director) of any member of our Group; (iii) a direct or indirect shareholder of any member of our Group; (iv) a supplier of goods or services to any member of our Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (vii) an associate of any of the persons referred to in paragraphs (i) to (iii) above.

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of our Shares in issue as of the Listing Date, i.e. 183,330,000 Shares, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**") provided that: (i) Our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, expired, forfeited or exercised in accordance with the terms of the Post-IPO Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules. (ii) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules. (iii) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Shares in issue from time to time. No Options may be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Shares of the Company in issue from time to time.

Subject to the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

The amount payable on acceptance of an option is HK$1.00. The subscription price of a Share in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (i) the nominal value of a Share; (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix C2 to the Listing Rules is published simultaneously with this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as of the date of this report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 37 to 53.

AUDITOR

KPMG shall retire and be eligible to offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. There was no change to the auditor of the Company during the preceding three years.

By order of the Board

Mr. LU Ruibo
Chairman and Chief Executive
Hong Kong, 11 March 2025

GLOSSARY

"Annual General Meeting" or "AGM"	the annual general meeting of the Company
"Articles of Association"	the amended and restated articles of association of the Company as adopted by a special resolution passed on 20 May 2024
"BFG-Czech"	BFG Czech s.r.o., a limited liability company incorporated in the Czech Republic on 19 September 2007 and an indirect wholly-owned subsidiary of our Company
"BFG-F"	BFG Feinguss GmbH (formerly known as BFG Feinguss Niederrhein GmbH), a limited liability company *(Gesellschaft mit beschränkter Haftung)* organized under German law on 18 September 2001 and registered with the commercial register of the local court at Kleve, Germany under HRB 6028, and an indirect wholly-owned subsidiary of our Company
"Board"	the board of Directors
"Cengiz Makina"	Cengiz Makina Sanayi ve Ticaret Anonim Sirketi, a limited liability company incorporated in Turkey on 27 January 1995 and converted into a joint stock company on 30 November 2004 and an indirect wholly-owned subsidiary of our Company
"Chairman"	the chairman of the Board
"Company", or "We", or "our", or "us"	Impro Precision Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability on 8 January 2008, the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"Euro" or "EUR"	the lawful currency of the member states of the European Union
"Executive Directors" or "EDs"	executive directors of the Company (unless the context requires otherwise)
"Foshan Ameriforge"	Foshan Ameriforge Manufacturing Technology Co., Ltd. (佛山市美鍛製造技術有限公司), a wholly foreign-owned enterprise incorporated in China on 2 November 2004 which became an indirect wholly-owned subsidiary of our Company upon completion of the acquisition by the Group on 15 August 2022

"FTZJ+"	the hydraulic orbital motor business acquired by the Group from Danfoss Power Solutions (Jiangsu) Co., Ltd. (丹佛斯動力系統(江蘇)有限公司), a wholly foreign-owned enterprise established in the PRC in April 2005. FTZJ+ has become an integrated business of the Group since the completion of the acquisition of its hydraulic orbital motor business on 31 October 2022
"Group" or "Impro Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Impro Aerospace Mexico"	Impro Aerospace Mexico, S. de R.L. de C.V., a company incorporated in Mexico on 17 February 2017 and an indirect wholly-owned subsidiary of our Company
"Impro Aerotek" or "Plant 3"	Impro Aerotek Limited (鷹普航空科技有限公司), renamed from Impro Aerospace Components (Wuxi) Co., Ltd. (鷹普航空零部件(無錫)有限公司) with effect from 5 November 2020, a wholly foreign-owned enterprise established in China on 9 August 2002 and an indirect wholly-owned subsidiary of our Company
"Impro Aerotek Europe"	Impro Aerotek Europe SARL, a company incorporated in Luxembourg on 30 July 2021 and an indirect wholly-owned subsidiary of our Company
"Impro Aerotek USA"	Impro Aerotek USA, Inc., a corporation incorporated under the laws of the State of California, the United States, with the articles of incorporation filed on 17 June 2021 and an indirect wholly-owned subsidiary of our Company
"Impro Aerotek (Nantong)"	Impro Aerotek (Nantong) Limited (鷹普航空科技(南通)有限公司), a limited liability company established in China on 12 October 2001, which is an indirect wholly-owned subsidiary of our Company
"Impro-Bees Hydraulics" or "Plant 2"	Wuxi Impro-Bees Precision Hydraulics Co.,Ltd (無錫鷹貝精密液壓有限公司), renamed from Wuxi Impro-Bees Precision Bearing Co., Ltd. (無錫鷹貝精密軸承有限公司) with effect from 14 October 2020, a wholly foreign-owned enterprise established in China on 15 June 2006 and an indirect wholly-owned subsidiary of our Company

GLOSSARY

"Impro-Bees Plating & Painting" or "Plant 4"	Wuxi Impro-Bees Plating and Painting Co., Ltd. (無錫鷹貝電化學工程有限公司), a wholly foreign-owned enterprise established in China on 31 August 2004 and an indirect wholly-owned subsidiary of our Company
"Impro China" or "Plant 1 and Plant 5"	Impro (China) Limited (鷹普(中國)有限公司), a wholly foreign-owned enterprise established in China on 12 May 1995 and an indirect wholly-owned subsidiary of our Company
"Impro Europe"	Impro Europe SARL, a company incorporated in Luxembourg on 29 May 2012 and an indirect wholly-owned subsidiary of our Company
"Impro Fluidtek"	Impro Fluidtek Limited (鷹普流體科技有限公司), a wholly foreign-owned enterprise established in China on 27 November 2020 and an indirectly wholly-owned subsidiary of our Company
"Impro Germany"	Impro Germany GmbH, a limited liability company incorporated in Germany on 2 May 2003 and an indirect wholly-owned subsidiary of our Company
"Impro Industries Mexico"	Impro Industries Mexico, S. de R.L. de C.V., a company incorporated in Mexico on 18 March 2016 and an indirect wholly-owned subsidiary of our Company
"Impro Industries USA"	Impro Industries USA, Inc., a corporation incorporated under the laws of the State of California, the United States, with the articles of incorporation filed on 25 November 1998 and an indirect wholly-owned subsidiary of our Company
"Impro Taizhou" or "Plant 7"	Impro Industrial (Taizhou) Co., Ltd. (鷹普機械(泰州)有限公司), a wholly foreign-owned enterprise incorporated in China on 30 June 2006 and an indirect wholly-owned subsidiary of our Company
"Impro Yixing" or "Plant 6"	Impro Industries (Yixing) Co., Ltd. (鷹普機械(宜興)有限公司), a wholly foreign-owned enterprise incorporated in China on 19 April 2006 and an indirect wholly-owned subsidiary of our Company
"Impross Impeller" or "Plant 9"	Impross Impeller (Yixing) Co., Ltd. (鷹普羅斯葉輪(宜興)有限公司), a sino-foreign equity joint venture limited liability company established in China on 12 February 2011 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 67.0% by Impro Yixing and 33.0% by Ross Casting which is an Independent Third Party
"Independent Non-executive Directors" or "INEDs"	independent non-executive Directors of the Company (unless the context requires otherwise)

GLOSSARY

"Listing Date"	28 June 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mexico"	United Mexican States
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies
"Mr. LU"	Mr. LU Ruibo
"MXN"	Mexican Peso
"Plant 8"	the surface treatment business of Impro Aerotek (Nantong)
"Nantong Plant 12"	newly established plant of Impro Aerotek (Nantong) and will be integrated with Foshan Ameriforge to focus on aerospace and energy components business
"PRC" or "China"	the People's Republic of China
"Principles"	the principles of good corporate governance (unless the context requires otherwise)
"RMB"	the Renminbi
"Share(s)"	ordinary share(s) with a nominal value of HK$0.1 each in the share capital of our Company
"Shareholder(s)"	the holder(s) of share(s) of HK$0.1 each in the issued capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TL"	Turkish Lira, the lawful currency of Turkey
"Turkey"	the Republic of Turkey
"United States" or "USA" or "U.S."	the United States of America
"US$" or "USD"	US Dollars

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMPRO PRECISION INDUSTRIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Impro Precision Industries Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 84 to 180 which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Assessing potential goodwill impairment	
Refer to Note 14 to the consolidated financial statements and the accounting policies on page 103.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2024, the carrying amount of goodwill, which arose from acquisition of the hydraulic orbital motor business in 2022, was HK$223 million, representing 3% of the Group's total assets. Management performed annual impairment assessment of the cash generating unit ("**CGU**") to which goodwill is allocated by comparing the carrying value of the CGU with its recoverable amount. The recoverable amount is estimated by using a discounted cash flow forecast prepared by an external valuer. The preparation of discounted cash flow forecast involves the exercise of significant management judgment, in particular in determining the revenue growth rate, operating profit margin and discount rate.	Our audit procedures to assess the potential impairment of goodwill included the following: • obtaining an understanding of and assessing the design and implementation of management's internal control over the process of goodwill impairment assessment; • assessing management's identification of the CGU and the allocation of assets and liabilities to the identified CGU with reference to the requirements of the prevailing accounting standards; • assessing the competence, capabilities and objectivity of the external valuer engaged by management; • performing a retrospective review by comparing the prior year's cash flow forecast with the actual performance of the businesses for the current year to assess whether the judgement made by management in the preparation of the cash flow forecast indicated possible management bias;

KEY AUDIT MATTERS (Continued)

Assessing potential goodwill impairment	
Refer to Note 14 to the consolidated financial statements and the accounting policies on page 103.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the assessment of potential impairment of goodwill as a key audit matter because the assessment is inherently subjective and requires management judgement which increases the risk of error and the potential for management bias.	• evaluating the reasonableness of the key assumptions adopted in the preparation of the discounted cash flow forecast, including revenue growth rate and operating profit margin, by comparing with the relevant historical data and market data, where available; • involving our internal valuation specialists to assist us in assessing reasonableness of the discount rate applied in the cash flow forecast by benchmarking against those of comparable companies; • performing sensitivity analysis of key assumptions, including revenue growth rates, operating profit margins and discount rates, and considering the resulting impact on the impairment assessment and whether there were any indications of management bias; and • considering the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Expected credit loss allowances for trade receivables	
Refer to Note 19 to the consolidated financial statements and the accounting policies on pages 100 to 102.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2024, the Group had trade receivables with a total gross carrying amount of HK$1,063 million, net of loss allowances for expected credit losses ("**ECLs**") of HK$12 million. Management measures the loss allowance at an amount equal to lifetime expected credit losses for the trade receivables. The estimated loss allowances take into account the ageing of trade receivable balances, the repayment history of the Group's customers and etc. We identified the ECL allowance for trade receivables as a key audit matter because of the significance of the balance to the consolidated financial statements and the assessment of the ECL allowance is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy and method for estimating the ECL allowance with reference to IFRS 9; • assessing the accuracy and reliability of the key parameters used for the estimated ECL rates by examining, on a sample basis, the historical collection data and whether trade receivables were correctly categorized in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation; and • re-performing the calculation of the ECL allowance as at 31 December 2024 based on the Group's credit loss allowance policies and method.

KEY AUDIT MATTERS (Continued)

Valuation of Inventory

Refer to Note 18 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2024, the Group's gross inventories totalled HK$1,135 million, against which provisions for inventories of HK$83 million were recorded. The Group's inventories are valued at the lower of cost and net realizable value. The net realizable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's products, the estimated costs of completion of work-in-progress at the reporting date and the estimated costs necessary to make the sale. A significant proportion of the Group's finished good inventory items are manufactured to meet specific customer requirements. The Group may from time to time manufacture goods based on anticipated customer orders. There is a risk that these inventory items cannot be sold and are stated at more than their net realizable values if there is a demand issue with a customer's product that includes a component manufactured by the Group. We identified the valuation of inventories as a key audit matter because of its significance to the Group's total assets, and because determining the net realizable value involves significant management judgement and estimation, which can be inherently subjective and increase the risk of error or potential management bias.	Our audit procedures to assess the valuation of inventory included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over making provisions for inventories; • performing a retrospective review of the historical accuracy of these estimates, discussing any significant variances with management and considering the impact of these variances on the current year's assumptions and estimates; • evaluating whether items were correctly categorized in the finished goods inventory ageing report by comparing with production records, on a sample basis; • evaluating the Group's inventory provision policy by assessing management's prediction of net realisable value of the inventories with reference to selling price subsequent to year end, sales order received, or historical selling price of current and prior years; • comparing inventory level of finished good items at year end date, on a sample basis, with order backlogs and procurement plans indicated by customers in order to assess the residual risk of the inventory's realizability; and • recalculating the Group's inventory provision with reference to recent sales prices achieved near or after the year end date.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	**2024** **HK$'000**	2023 HK$'000
Revenue	4	**4,686,795**	4,604,378
Cost of sales		**(3,417,651)**	(3,426,047)
Gross profit		**1,269,144**	1,178,331
Other revenue	5(a)	**33,189**	30,166
Other net income	5(b)	**125,481**	19,972
Selling and distribution expenses		**(177,021)**	(158,456)
Administrative and other operating expenses		**(362,630)**	(341,764)
Profit from operations		**888,163**	728,249
Net finance costs	6(a)	**(102,261)**	(108,377)
Profit before taxation	6	**785,902**	619,872
Income tax	7	**(140,098)**	(33,109)
Profit for the year		**645,804**	586,763
Attributable to:			
Equity shareholders of the Company		**644,304**	585,093
Non-controlling interest		**1,500**	1,670
Profit for the year		**645,804**	586,763
Earnings per share	11		
Basic (HK cents)		**34.1**	31.0
Diluted (HK cents)		**34.1**	31.0

The notes on pages 91 to 180 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 30(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Profit for the year		**645,804**	586,763
Other comprehensive income for the year (after tax adjustments)	10		
Items that will not be reclassified to profit or loss:			
Effect of remeasurement of defined benefit plan obligations (net of tax of HK$2,750,000 (2023: HK$2,059,000))	29(a)	**(2,161)**	(8,584)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong Dollars ("HK$")		**(499,855)**	218,491
Other comprehensive income for the year		**(502,016)**	209,907
Total comprehensive income for the year		**143,788**	796,670
Attributable to:			
Equity shareholders of the Company		**142,604**	795,077
Non-controlling interest		**1,184**	1,593
Total comprehensive income for the year		**143,788**	796,670

The notes on pages 91 to 180 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	12	**4,322,632**	4,535,542
Prepayments for purchase of property, plant and equipment		**75,765**	52,401
Intangible assets	13	**184,223**	214,812
Goodwill	14	**222,654**	227,522
Deferred expenses	15	**158,960**	161,071
Other financial asset	17	**1,521**	1,554
Deferred tax assets	27(b)	**83,880**	121,256
		5,049,635	5,314,158
Current assets			
Inventories	18	**1,052,233**	961,195
Trade and bills receivables	19	**1,120,602**	1,081,373
Prepayments, deposits and other receivables	20	**338,222**	302,866
Taxation recoverable	27(a)	**9,387**	10,429
Cash and cash equivalents	21(a)	**601,747**	630,850
		3,122,191	2,986,713
Current liabilities			
Bank loans	22	**919,234**	1,028,594
Lease liabilities	23	**3,778**	7,659
Trade payables	24	**588,573**	519,542
Other payables and accruals	25	**378,058**	308,871
Taxation payable	27(a)	**24,430**	59,601
		1,914,073	1,924,267
Net current assets		**1,208,118**	1,062,446
Total assets less current liabilities		**6,257,753**	6,376,604

The notes on pages 91 to 180 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Bank loans	22	**1,265,648**	1,211,909
Lease liabilities	23	**7,457**	9,649
Deferred income	28	**129,208**	135,126
Defined benefit plan obligations	29(a)	**62,642**	64,268
Deferred tax liabilities	27(b)	**49,884**	54,696
		1,514,839	1,475,648
NET ASSETS		**4,742,914**	4,900,956
CAPITAL AND RESERVES			
Share capital	30(c)	**188,729**	188,729
Reserves		**4,532,668**	4,691,894
Total equity attributable to equity shareholders of the Company		**4,721,397**	4,880,623
Non-controlling interest		**21,517**	20,333
TOTAL EQUITY		**4,742,914**	4,900,956

Approved and authorized for issue by the board of directors on 11 March 2025.

Lu Ruibo	)	
	)	Directors
Wang Dong	)	

The notes on pages 91 to 180 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2023		188,456	1,434,456	14,997	260,079	(234,930)	(571)	2,716,770	4,379,257	18,740	4,397,997
Changes in equity for 2023											
Profit for the year		–	–	–	–	–	–	585,093	585,093	1,670	586,763
Other comprehensive income	10	–	–	–	–	218,568	–	(8,584)	209,984	(77)	209,907
Total comprehensive income		–	–	–	–	218,568	–	576,509	795,077	1,593	796,670
Appropriation of dividends	30(b)	–	–	–	–	–	–	(301,685)	(301,685)	–	(301,685)
Exercise of share options	30(c)(ii)	273	9,308	(3,038)	–	–	–	–	6,543	–	6,543
Expiry of share options	26(b)	–	–	(5,004)	–	-	–	5,004	–	–	–
Appropriation of reserve	30(d)(iii)	–	–	–	27,144	–	–	(27,144)	–	–	–
Equity settled share-based transactions	26	–	–	1,431	–	–	–	–	1,431	–	1,431
Balance at 31 December 2023		188,729	1,443,764	8,386	287,223	(16,362)	(571)	2,969,454	4,880,623	20,333	4,900,956

The notes on pages 91 to 180 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2024		188,729	1,443,764	8,386	287,223	(16,362)	(571)	2,969,454	4,880,623	20,333	4,900,956
Changes in equity for 2024											
Profit for the year		–	–	–	–	–	–	644,304	644,304	1,500	645,804
Other comprehensive income	10	–	–	–	–	(499,539)	–	(2,161)	(501,700)	(316)	(502,016)
Total comprehensive income		–	–	–	–	(499,539)	–	642,143	142,604	1,184	143,788
Second interim dividends approved in respect of the previous year	30(b)(ii)	–	–	–	–	–	–	(150,983)	(150,983)	–	(150,983)
First interim dividends declared in respect of the current year	30(b)(i)	–	–	–	–	–	–	(150,983)	(150,983)	–	(150,983)
Expiry of share options	26(b)	–	–	(7,412)	–	–	–	7,412	–	–	–
Appropriation of reserve	30(d)(iii)	–	–	–	31,307	–	–	(31,307)	–	–	–
Equity settled share-based transactions	26	–	–	136	–	–	–	–	136	–	136
Balance at 31 December 2024		188,729	1,443,764	1,110	318,530	(515,901)	(571)	3,285,736	4,721,397	21,517	4,742,914

The notes on pages 91 to 180 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	**2024 HK$'000**	2023 HK$'000
Operating activities			
Cash generated from operations	21(b)	**1,258,951**	1,454,536
Tax paid		**(112,783)**	(173,117)
Net cash generated from operating activities		**1,146,168**	1,281,419
Investing activities			
Payment for the acquisition of property, plant and equipment		**(611,950)**	(711,380)
Proceeds from disposal of property, plant and equipment		**1,670**	6,602
Payment for deferred expenses		**(88,158)**	(75,992)
Interest received		**8,434**	7,879
Net cash used in investing activities		**(690,004)**	(772,891)
Financing activities			
Proceeds from bank loans	21(c)	**1,529,452**	1,295,027
Repayment of bank loans	21(c)	**(1,578,722)**	(1,228,330)
Interest paid	21(c)	**(110,130)**	(115,550)
Capital element of lease rentals paid	21(c)	**(5,241)**	(14,986)
Interest element of lease rentals paid	21(c)	**(565)**	(706)
Proceeds from exercise of share options	30(c)(ii)	**–**	6,543
Dividends paid to equity shareholders of the Company	30(b)	**(301,966)**	(301,685)
Net cash used in financing activities		**(467,172)**	(359,687)
Net (decrease)/increase in cash and cash equivalents		**(11,008)**	148,841
Cash and cash equivalents at 1 January		**630,850**	483,286
Effect of foreign exchange rate changes		**(18,095)**	(1,277)
Cash and cash equivalents at 31 December	21(a)	**601,747**	630,850

The notes on pages 91 to 180 form part of these financial statements.

1 GENERAL INFORMATION

Impro Precision Industries Limited (the "Company") was incorporated in Cayman Islands on 8 January 2008 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019. The Company and its subsidiaries (collectively as the "Group") are principally engaged in the development and production of a broad range of casting products and precision machining parts and provision of surface treatment services.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Group for the year ended 31 December 2024 comprise the Company and its subsidiaries.

Items included in these consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The functional currency of the Company is HK$. The consolidated financial statements are presented in HK$, rounded to nearest thousands, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are set out in Note 3.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* and Amendments to IAS 1, *Presentation of financial statements — Non-current liabilities with covenants*

- Amendments to IFRS 16, *Leases — Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

None of these developments had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interest ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)(ii)).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 33(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(w)(iii)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

— fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in other comprehensive income ("OCI"). When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Other investments in securities (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income (see Note 2(w)(v)).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Freehold land held for own use are not depreciated. Items of property, plant and equipment other than freehold land are stated at cost which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Financial Statements
Financial Summary

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life
Freehold land	not depreciated
Leasehold land	over the period of leases
Properties held for own use	20–50 years
Machinery	3–15 years
Furniture, fixtures and equipment	4–10 years
Motor vehicles	4–10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Construction in progress represents properties under construction and machinery pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(k)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired through business combination and have finite useful lives are measured at cost (the acquisition date fair value) less accumulated amortization and any accumulated impairment losses (see Note 2(k)(ii)).

Amortization of intangible assets is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life
Customer relationships	3–15 years
Patents and know-how	8–10 years

The useful lives of customer relationships are estimated based on the historical length of business relationship and turnover rate of customers of the acquirees. The useful lives of patents and know-how are estimated based on the remaining valid period of the patents and the period of economic benefits to be derived from the products to be produced relying on the know-how.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Deferred expenses

Deferred expenses represent direct costs attributable to specific product development projects developed for respective customers over a period of time, from which future economic benefits are expected to flow to the Group when the relevant products are sold to the customers during their product life cycle. The expense capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Deferred expenses are stated at cost less accumulated amortization any impairment losses (see Note 2(k)(ii)).

Amortization of deferred expenses is charged to profit or loss on a straight-line basis over their estimated useful lives of five years.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

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

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(k)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see Notes 2(f)(i), 2(w)(iii) and 2(k)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) ***As a lessee*** (Continued)

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) ***As a lessor***

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(w)(ii).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents and trade and other receivables) and non-equity securities measured at FVOCI (recycling) (see Note 2(f)(i)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

— the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) ***Credit losses from financial instruments*** (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganization; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i)).

Impairment losses recognized in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Financial Statements
Financial Summary

2 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labor and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(w)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see Note 2(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with Note 2(v).

(p) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(k)(i)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligations

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense on the defined benefit liability are recognized in profit or loss and allocated by function as part of "cost of sales" or "administrative and other operating expenses". Current service cost is measured as the increase in the present value of the defined benefit plan obligations resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit plan obligations at the beginning of each reporting period to the defined benefit liability. The discount rate is the yield at the end of each reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit plan obligations are recognized immediately in OCI.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see Note 2(k)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies (Continued)

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into HK$ at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into HK$ at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

(v) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 120 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

(ii) Rental income from operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(iii) Interest income

Interest income is recognized using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iv) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss on a systematic basis over the useful life of the asset.

(v) Dividends

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

Notes 14 and 29(a) contain information about the assumptions and their risk factors relating to goodwill and defined benefit plan obligations. Other significant sources of estimation uncertainty are as follows:

(i) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(ii) Impairment of trade receivables

The Group estimates the amount of loss allowance for ECLs on trade receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iii) Estimated amortization of deferred expenses

Deferred expenses are amortized on a straight-line basis over the estimated useful lives of five years. The Group reviews the estimated useful lives of the deferred expenses regularly in order to determine the amount to be charged to the profit or loss during any reporting period. The useful lives are based on the Group's historical experience with the estimated average life of the projects and taking into account of the anticipated technological changes. The amortization charge for future periods is adjusted if there are significant changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the development and production of a broad range of casting products and precision machining parts.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Investment casting	**1,804,779**	1,914,827
Precision machining and others	**1,720,250**	1,808,252
Sand casting	**1,101,270**	823,873
Surface treatment	**60,496**	57,426
	4,686,795	4,604,378

The Group's revenue from contracts with customers were recognized at point in time. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(iii).

The Group's customer base is diversified and includes three (2023: two) customers with whom transactions have exceeded 10% of the Group's revenues. In 2024, revenues from sales of investment casting, precision machining and others and sand casting products to these three (2023: two) customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately HK$1,645,239,000 (2023: $1,020,428,000) and arose in all three geographical regions. Details of concentrations of credit risk are set out in Note 33(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

- Investment casting: It is a metal forming process that casts molten metal into a ceramic mold produced by surrounding a wax pattern. The main products are automotive, diversified industrials, aerospace and medical components.

- Precision machining and others: It uses a computerized power-driven machine tool to drill or shape metal parts with high precision specifications. The main products are automotive, construction equipment and aerospace components, and hydraulic orbital motors.

- Sand casting: It is a metal forming process in which a mold is first formed from a three-dimensional pattern of sand and molten metal is poured into the mould cavity for solidification. The main products are high horsepower engine and construction equipment components.

- Surface treatment: It primarily contains surface treatment services including plating, anodizing, painting and coating and is mainly used in automotive and aerospace end-markets.

(i) Segment results and assets

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

Segment assets include all tangible, intangible assets and current assets with the exception of other financial asset, deferred tax assets, cash and cash equivalents and other corporate assets.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses or which otherwise arise from the depreciation or amortization of assets attributable to those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of technical know-how, is not measured.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) ***Segment results and assets*** (Continued)

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation and amortization. To arrive at the reporting segment profit, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. In addition, the management evaluates the performance of the Group based on the earnings before interest, taxes, depreciation and amortization.

In addition to receiving segment information concerning reporting segment profit, management is provided with segment information concerning revenue (including inter-segment sales) generated by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below:

	Year ended 31 December 2024				
	Investment casting HK$'000	**Precision machining and others HK$'000**	**Sand casting HK$'000**	**Surface treatment HK$'000**	**Total HK$'000**
Revenue from external customers	**1,804,779**	**1,720,250**	**1,101,270**	**60,496**	**4,686,795**
Inter-segment revenue	**–**	**–**	**–**	**32,171**	**32,171**
Reportable segment revenue	**1,804,779**	**1,720,250**	**1,101,270**	**92,667**	**4,718,966**
Gross profit from external customers	**625,041**	**326,835**	**315,509**	**1,759**	**1,269,144**
Inter-segment gross profit	**–**	**–**	**–**	**9,437**	**9,437**
Reportable segment gross profit	**625,041**	**326,835**	**315,509**	**11,196**	**1,278,581**
Depreciation and amortization	**183,089**	**173,908**	**122,000**	**23,739**	**502,736**
Reportable segment profit	**629,897**	**290,229**	**318,798**	**26,061**	**1,264,985**
Reportable segment assets	**2,870,304**	**2,377,091**	**1,809,540**	**428,687**	**7,485,622**

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results and assets* (Continued)

	Year ended 31 December 2023				
	Investment casting HK$'000	Precision machining and others HK$'000	Sand casting HK$'000	Surface treatment HK$'000	Total HK$'000
Revenue from external customers	1,914,827	1,808,252	823,873	57,426	4,604,378
Inter-segment revenue	–	–	–	27,618	27,618
Reportable segment revenue	1,914,827	1,808,252	823,873	85,044	4,631,996
Gross profit /(loss) from external customers	629,966	375,812	177,708	(5,155)	1,178,331
Inter-segment gross profit	–	–	–	12,498	12,498
Reportable segment gross profit	629,966	375,812	177,708	7,343	1,190,829
Depreciation and amortization	160,650	205,858	109,214	20,892	496,614
Reportable segment profit	614,247	385,041	198,225	19,645	1,217,158
Reportable segment assets	2,876,300	2,627,755	1,697,622	346,945	7,548,622

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, gross profit, profit or loss and assets

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**4,718,966**	4,631,996
Elimination of inter-segment revenue	**(32,171)**	(27,618)
Consolidated revenue	**4,686,795**	4,604,378
Gross profit		
Reportable segment gross profit	**1,278,581**	1,190,829
Elimination of inter-segment gross profit	**(9,437)**	(12,498)
Consolidated gross profit	**1,269,144**	1,178,331
Profit		
Reportable segment profit	**1,264,985**	1,217,158
Elimination of inter-segment profit	**(9,437)**	(12,498)
Reportable segment profit derived from the Group's external customers	**1,255,548**	1,204,660
Other revenue	**33,189**	30,166
Other net income	**125,481**	19,972
Unallocated head office and corporate expenses	**(23,319)**	(29,935)
Consolidated profit before interest, taxes, depreciation and amortization	**1,390,899**	1,224,863
Net finance costs	**(102,261)**	(108,377)
Depreciation and amortization	**(502,736)**	(496,614)
Consolidated profit before taxation	**785,902**	619,872

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) ***Reconciliations of reportable segment revenues, gross profit, profit or loss and assets*** (Continued)

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Assets		
Reportable segment assets	**7,485,622**	7,548,622
Elimination of inter-segment receivables	**(8,048)**	(9,188)
	7,477,574	7,539,434
Other financial asset	**1,521**	1,554
Deferred tax assets	**83,880**	121,256
Cash and cash equivalents	**601,747**	630,850
Unallocated head office and corporate assets	**7,104**	7,777
Consolidated total assets	**8,171,826**	8,300,871

(iii) ***Geographical information***

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepayments for purchase of property, plant and equipment, intangible assets, goodwill, deferred expenses and other financial asset ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, i.e. the location of the operation to which they are allocated.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) ***Geographical information*** (Continued)

Revenue from external customers

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Americas		
— United States of America ("United States")	**2,082,275**	2,019,018
— Others	**246,192**	214,232
Europe	**1,421,584**	1,502,702
Asia		
— The People's Republic of China ("PRC")	**817,953**	736,633
— Others	**118,791**	131,793
	4,686,795	4,604,378

Specified non-current assets

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
United States	**7,893**	8,144
Europe	**408,873**	485,794
The PRC	**2,914,359**	2,912,711
Mexico	**1,634,630**	1,786,253
	4,965,755	5,192,902

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Rental income	**749**	833
Government grants (Note)	**27,031**	24,446
Others	**5,409**	4,887
	33,189	30,166

Note:

During the year ended 31 December 2024, the Group received unconditional government subsidies of HK$14,638,000 (2023: HK$14,535,000) as encouragement of their contribution in technology development, environment protection and contribution in local economy.

During the year ended 31 December 2024, the Group received conditional government subsidies of HK$9,181,000 (2023: HK$17,500,000) as subsidies for acquisition of property, plant, equipment and leasehold land. During the year ended 31 December 2024, the Group recognized such subsidies of HK$12,393,000 (2023: HK$9,911,000) for acquisition of property, plant, equipment and leasehold land and investment incentive in the profit or loss when related conditions were satisfied.

(b) Other net income

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Net exchange gain	**45,786**	7,386
Net loss on disposal of property, plant and equipment	**(379)**	(8,030)
Severance costs	**–**	(7,199)
Insurance claims (Note)	**72,298**	17,145
Others	**7,776**	10,670
	125,481	19,972

Note:

Impro Aerotek (Nantong) Limited received the net insurance claims of RMB65,951,000 (2023: RMB15,449,000) (equivalent to approximately HK$72,298,000 (2023: HK$17,145,000)), after offsetting related legal fees, during the year ended 31 December 2024 in respect of loss on the fire accident in June 2022.

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Interest income	**(8,434)**	(7,879)
Interest expenses on bank loans	**110,130**	115,550
Interest expenses on lease liabilities	**565**	706
	110,695	116,256
Net finance costs	**102,261**	108,377

(b) Staff costs

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, wages and other benefits	**1,206,283**	1,076,049
Contributions to defined contribution retirement plans	**90,239**	82,160
Expenses recognized in respect of defined benefit plan obligations (Note 29(a))	**12,885**	7,403
Equity settled share-based payment expenses (Note 26)	**136**	1,431
	1,309,543	1,167,043

6 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Cost of inventories recognized as expenses*	**3,417,651**	3,426,047
Depreciation charges		
— owned property, plant and equipment	**379,965**	373,817
— right-of-use assets	**9,704**	16,045
Amortization of intangible assets	**26,265**	30,898
Amortization of deferred expenses	**86,802**	75,854
Research and development expenses	**174,555**	149,286
Provision for impairment loss on trade receivables	**4,940**	4,071
(Reversal of)/provision for write-down of inventories	**(25,677)**	24,816
Auditors' remuneration		
— Audit services	**5,557**	5,765
— Non-audit services	**2,447**	1,556

* Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, research and development expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current tax		
Chinese Mainland Corporate Income Tax		
Provision for the year	**77,003**	57,280
Bonus deduction of research and development expenses	**(26,203)**	(27,254)
Over provision in respect of prior years	**(1,306)**	(1,309)
	49,494	28,717
Hong Kong Profits Tax		
Provision for the year	**23,313**	34,583
(Over)/under-provision in respect of prior years	**(323)**	188
	22,990	34,771
Tax jurisdictions outside Chinese Mainland and Hong Kong		
Provision for the year	**31,412**	54,953
	103,896	118,441
Deferred tax		
Origination and reversal of temporary differences (Note 27(b))	**36,202**	(85,332)
Total income tax expense	**140,098**	33,109

Notes:

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

(ii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended 31 December 2024 and 2023. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Income tax in the consolidated statement of profit or loss represents: (Continued)

Notes: (Continued)

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of high-tech Enterprises (Guokefahuo [2016] No.32), Impro (China) Limited, Wuxi Impro-Bees Plating & Painting Co., Ltd. and Foshan Ameriforge Manufacturing Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2023 to 2025.

Wuxi Impro-Bees Precision Hydraulics Co., Ltd., Impro Aerotek Limited and Impross Impeller (Yixing) Co., Ltd. obtained the qualification as a high-tech enterprise in 2021 and was entitled to a preferential income tax of 15% from 2021 to 2023. Wuxi Impro-Bees Precision Hydraulics Co., Ltd., Impro Aerotek Limited and Impross Impeller (Yixing) Co., Ltd. renewed the qualification in 2024 and was entitled to a preferential income tax of 15% from 2024 to 2026.

Impro Industries (Yixing) Co., Ltd., Impro Aerotek (Nantong) Limited and Impro Industrial (Taizhou) Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2022 to 2024.

Impro Fluidtek (Zhenjiang) Limited obtained the qualification as a high-tech enterprise in 2024 and was entitled to a preferential income tax of 15% for the years from 2024 to 2026.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on interests and dividends from their PRC resident investees for intra-group interest borrowings and earnings accumulated beginning on 1 January 2008, at 7% and 10% (unless reduced by tax treaties or similar arrangements), respectively.

Under the arrangement between the Chinese Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). The Group's investments in the PRC subsidiaries meet those requirements for a preferential rate of 5%.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Income tax in the consolidated statement of profit or loss represents: (Continued)

Notes: (Continued)

(iv) Pursuant to the income tax rules and regulations of the United States, the Group's subsidiaries in the United States were liable to United States federal income tax at a rate of 21% and state income tax at a rate ranging from 4.90% to 9.50% during the years ended 31 December 2024 and 2023.

(v) Pursuant to the income tax rules and regulations of Germany, BFG Feinguss GmbH was liable to the German Corporate Income Tax at a rate of 30% during the years ended 31 December 2024 and 2023. Impro Germany GmbH was liable to the German Corporate Tax at a rate of 32.6% for the years ended 31 December 2024 and 2023.

(vi) Pursuant to the income tax rules and regulations of Luxembourg, the Group's subsidiaries in Luxembourg were liable to the Luxembourg Corporate Income Tax at a rate of 24.9% during the years ended 31 December 2024 and 2023, comprising federal income tax at a flat rate of 17% and local municipal business tax at a rate of 7.9% during the years ended 31 December 2024 and 2023.

(vii) Pursuant to the income tax rules and regulations of Czech, the Group's subsidiary in Czech was liable to the Czech Corporate Income Tax at a rate of 21% and 19% during the years ended 31 December 2024 and 2023, respectively.

(viii) Pursuant to the income tax rules and regulations of Turkey, the Group's subsidiary in Turkey, Cengiz Makina Sanayi ve Ticaret Anonim Sirketi ("Cengiz Makina") was liable to the Turkey Corporate Income Tax at a rate of 25% for the years ended 31 December 2024 and 2023.

According to the prevailing Turkey Corporate Income Tax Law and its relevant regulations, non-Turkey tax resident enterprises are levied withholding tax on dividends from their Turkey resident investees for 15% of earnings accumulated (unless reduced by tax treaties or similar arrangements).

Under the Arrangement between the Grand Duchy of Luxembourg and the Republic of Turkey for the Avoidance of Double Taxation and the Preventing of Fiscal Evasion with respect to Taxes on Income and on Capital and its relevant regulations, dividends paid by a Turkey resident enterprise to its direct holding company in Luxembourg will be subject to withholding tax at a reduced rate of 10% (if the Luxembourg investor is a company and owns directly at least 25% of the equity interest of the Turkey resident). The Group's investments in the Turkey subsidiary meet those requirements for a preferential rate of 10%.

(ix) Pursuant to the income tax rules and regulations of Mexico, the Group's subsidiaries in Mexico, Impro Industries Mexico, S. de R.L. de C.V. and Impro Aerospace Mexico, S. de R.L. de C.V. were liable to the Mexico Corporate Income Tax at a rate of 30% during the years ended 31 December 2024 and 2023.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Profit before taxation	**785,902**	619,872
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**177,316**	153,500
Tax effect of non-deductible expenses	**5,639**	4,003
Tax effect of non-taxable income	**(1,759)**	(10,771)
Tax effect of tax losses not recognized	**15,298**	14,223
Tax effect of previously unrecognized tax losses and temporary differences now recognized	**(293)**	(2,435)
Tax effect of previously recognized tax losses and temporary differences now derecognized	**30,054**	–
Tax effect of change in tax rates	**–**	12,019
Tax effect of temporary differences arising from inflation in Mexico	**(8,630)**	(12,316)
Tax effect of new tax law enacted in Turkey (Note)	**–**	(89,813)
Tax effect of temporary differences arising from differentiated functional and tax filing currency	**(4,497)**	2,615
Provision of withholding tax on undistributed profits	**7,323**	16,781
Effect of PRC tax concessions obtained	**(52,521)**	(26,322)
PRC bonus deduction of research and development expenses	**(26,203)**	(27,254)
Over-provision in respect of prior years	**(1,629)**	(1,121)
Actual tax expense	**140,098**	33,109

Note:

In December 2023, the Turkey's Ministry of Finance issued the Article 555 to Turkish Tax Procedure Code, pursuant to which the Turkish statutory financial statements for the year ended 31 December 2023 would be subject to inflation adjustment using inflation accounting in consideration of hyperinflationary economy in Turkey. By applying the principles of inflation accounting for Cengiz Makina, the tax base of certain non-monetary items previously accounted at historical cost in tax filing currency Turkish Lira ("TL") should be adjusted by multiplying inflationary adjustment coefficients, while the accounting base of these non-monetary items remained unaffected in its functional currency Euro ("EUR"), which resulted in credit effect of income tax during the year ended 31 December 2023.

8 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2024						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-Total HK$'000	Share-based payments (Note) HK$'000	Total HK$'000
Executive directors							
Lu Ruibo	320	2,957	–	405	3,682	–	3,682
Wang Hui, Ina (resigned on 29 June 2024)	160	1,190	157	60	1,567	–	1,567
Yu Yuepeng	320	1,313	646	118	2,397	8	2,405
Zhu Liwei	320	1,315	1,012	118	2,765	8	2,773
Wang Dong	320	1,316	1,182	116	2,934	8	2,942
Independent non-executive directors							
Yu Kwok Kuen Harry (resigned on 31 December 2024)	320	–	–	–	320	–	320
Yen Gordon	320	–	–	–	320	–	320
Lee Siu Ming	320	–	–	–	320	–	320
Chow Lok Mei Ki Cindy (appointed on 31 December 2024)	–	–	–	–	–	–	–
Total	2,400	8,091	2,997	817	14,305	24	14,329

8 DIRECTORS' REMUNERATION (Continued)

	Year ended 31 December 2023						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-Total HK$'000	Share-based payments (Note) HK$'000	Total HK$'000
Executive directors							
Lu Ruibo	320	2,969	157	405	3,851	–	3,851
Wang Hui, Ina	320	2,119	255	112	2,806	186	2,992
Yu Yuepeng	320	1,420	416	112	2,268	186	2,454
Zhu Liwei	320	1,199	823	84	2,426	186	2,612
Wang Dong	320	1,332	181	111	1,944	186	2,130
Independent non-executive directors							
Yu Kwok Kuen Harry	320	–	–	–	320	–	320
Yen Gordon	320	–	–	–	320	–	320
Lee Siu Ming	320	–	–	–	320	–	320
Total	2,560	9,039	1,832	824	14,255	744	14,999

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "share option scheme" in the Report of the Directors and Note 26.

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2023: two) directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the paid amount to the other three (2023: three) individuals of the Group are as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,458**	7,132
Discretionary bonuses	**1,935**	1,915
Share-based payments	**9**	344
Retirement scheme contributions	**635**	456
	10,037	9,847

The emoluments of the three (2023: three) individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2024	2023
	Number of individuals	Number of individuals
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	–
HK$3,500,001 to HK$4,000,000	**1**	2

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	Remeasurement of defined benefit plan obligations HK$'000	Exchange differences on translation of financial statements HK$'000	Total HK$'000
For the year ended 31 December 2024			
Before-tax amount	**(4,911)**	**(499,855)**	**(504,766)**
Tax benefit	**2,750**	**–**	**2,750**
Net-of-tax amount	**(2,161)**	**(499,855)**	**(502,016)**
For the year ended 31 December 2023			
Before-tax amount	(10,643)	218,491	207,848
Tax benefit	2,059	–	2,059
Net-of-tax amount	(8,584)	218,491	209,907

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$644,304,000 (2023: HK$585,093,000) and the weighted average of 1,887,285,665 ordinary shares (2023: 1,885,638,877 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2024	2023
Issued ordinary shares at 1 January	**1,887,285,665**	1,884,559,500
Effect of exercise of share options (Note 26)	**–**	1,079,377
Weighted average number of ordinary shares at 31 December	**1,887,285,665**	1,885,638,877

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$644,304,000 (2023: HK$585,093,000) and the weighted average number of ordinary shares of 1,887,285,665 shares (2023: 1,886,951,273 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2024	2023
Weighted average number of ordinary shares at 31 December	**1,887,285,665**	1,885,638,877
Effect of deemed issue of shares under the Company's share option scheme (Note 26)	**–**	1,312,396
Weighted average number of ordinary shares (diluted) at 31 December	**1,887,285,665**	1,886,951,273

For the year ended 31 December 2023, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares.

During the year ended 31 December 2024, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share was the same as basic earnings per share of the years ended 31 December 2024.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land (Note) HK$'000	Properties held for own use (Note) HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:								
At 1 January 2023	121,939	160,741	1,369,148	3,822,854	415,361	36,764	788,862	6,715,669
Additions	–	39,309	14,632	76,493	30,382	1,388	545,234	707,438
Transfers	–	–	448,794	257,007	4,678	218	(710,697)	–
Disposals	–	–	(31,468)	(46,999)	(15,121)	(2,217)	–	(95,805)
Exchange adjustment	9,867	(2,551)	17,272	73,774	(3,919)	853	84,409	179,705
At 31 December 2023 and 1 January 2024	**131,806**	**197,499**	**1,818,378**	**4,183,129**	**431,381**	**37,006**	**707,808**	**7,507,007**
Additions	**32,844**	**–**	**3,697**	**53,858**	**48,410**	**3,826**	**466,719**	**609,354**
Transfers	**–**	**–**	**189,658**	**252,966**	**11,702**	**3,248**	**(457,574)**	**–**
Disposals	**–**	**–**	**(20,939)**	**(236,288)**	**(16,229)**	**(3,119)**	**–**	**(276,575)**
Exchange adjustment	**(17,539)**	**(4,272)**	**(128,255)**	**(282,194)**	**(11,467)**	**(3,469)**	**(106,195)**	**(553,391)**
At 31 December 2024	**147,111**	**193,227**	**1,862,539**	**3,971,471**	**463,797**	**37,492**	**610,758**	**7,286,395**
Accumulated depreciation and impairment:								
At 1 January 2023	–	27,922	363,491	1,937,142	315,564	21,358	–	2,665,477
Charge for the year	–	4,089	54,810	290,809	36,304	3,850	–	389,862
Written back on disposals	–	–	(25,013)	(41,020)	(13,055)	(2,085)	–	(81,173)
Exchange adjustment	–	(424)	(4,631)	6,025	(3,382)	(289)	–	(2,701)
At 31 December 2023 and 1 January 2024	**–**	**31,587**	**388,657**	**2,192,956**	**335,431**	**22,834**	**–**	**2,971,465**
Charge for the year	**–**	**4,104**	**60,246**	**276,840**	**44,581**	**3,898**	**–**	**389,669**
Written back on disposals	**–**	**–**	**(17,875)**	**(238,850)**	**(12,874)**	**(2,309)**	**–**	**(271,908)**
Exchange adjustment	**–**	**(738)**	**(11,743)**	**(102,300)**	**(9,196)**	**(1,486)**	**–**	**(125,463)**
At 31 December 2024	**–**	**34,953**	**419,285**	**2,128,646**	**357,942**	**22,937**	**–**	**2,963,763**
Net book value:								
At 31 December 2024	**147,111**	**158,274**	**1,443,254**	**1,842,825**	**105,855**	**14,555**	**610,758**	**4,322,632**
At 31 December 2023	131,806	165,912	1,429,721	1,990,173	95,950	14,172	707,808	4,535,542

Note:

The Group obtains the right to use certain land in the PRC under several operating lease agreements of 50 years. As at 31 December 2024, the carrying amounts of leasehold land held for own use were HK$158,274,000 (2023: HK$165,912,000), and the carrying amount of properties held for own use thereon were HK$913,689,000 (2023: HK$820,630,000).

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Leasehold land, carried at depreciated cost in the PRC, with remaining lease term of between 10 and 50 years	**158,274**	165,912
Properties held for own use, carried at depreciated cost	**9,911**	16,551
Furniture, fixtures and equipment, carried at depreciated cost	**460**	657
	168,645	183,120

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land	**4,104**	4,089
Properties held for own use	**5,439**	11,608
Furniture, fixtures and equipment	**161**	348
	9,704	16,045
Interest on lease liabilities (Note 6(a))	**565**	706
Expense relating to short-term leases	**2,123**	4,945
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**90**	528

During the year ended 31 December 2024, additions to right-of-use assets were HK$1,908,000 (2023: HK$52,440,000). This amount included the acquisition of leasehold land of HK$nil (2023: HK$39,309,000), and the remainder primarily related to the capitalized lease payments under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 21(d), 23 and 33(b), respectively.

13 INTANGIBLE ASSETS

	Customer relationships HK$'000	Patents and know-how HK$'000	Total HK$'000
Cost:			
At 1 January 2023	307,320	127,908	435,228
Disposals	(79,561)	(9,716)	(89,277)
Exchange adjustment	1,731	(1,772)	(41)
At 31 December 2023 and 1 January 2024	**229,490**	**116,420**	**345,910**
Exchange adjustment	**(9,158)**	**(2,491)**	**(11,649)**
At 31 December 2024	**220,332**	**113,929**	**334,261**
Accumulated amortization and impairment:			
At 1 January 2023	163,560	23,274	186,834
Charge for the year	18,574	12,324	30,898
Written back on disposals	(79,561)	(9,716)	(89,277)
Exchange adjustment	2,988	(345)	2,643
At 31 December 2023 and 1 January 2024	**105,561**	**25,537**	**131,098**
Charge for the year	**14,699**	**11,566**	**26,265**
Exchange adjustment	**(6,606)**	**(719)**	**(7,325)**
At 31 December 2024	**113,654**	**36,384**	**150,038**
Net book value:			
At 31 December 2024	**106,678**	**77,545**	**184,223**
At 31 December 2023	123,929	90,883	214,812

Intangible assets represent customer relationships and patents acquired by the Group in connection with the acquisition of Impro Aerotek (Nantong) Limited, Nantong Shenhai Investment Co., Ltd. and Haimen Xinhai Special Plating Co., Ltd. (collectively, the "Shenhai Group") completed on 3 June 2014, customer relationships, incomplete contracts and know-how acquired by the Group in connection with the acquisition of Cengiz Makina completed on 26 August 2014, know-how acquired by the Group in connection with the acquisition of Impross Impeller completed on 23 August 2017 and customer relationships and patents and know-how acquired by the Group in connection with the acquisition of the hydraulic orbital motor business completed on 31 October 2022. The amortization charge for the years ended 31 December 2024 and 2023 is included in "cost of sales" and "administrative and other operating expenses" in the consolidated statement of profit or loss.

14 GOODWILL

	HK$'000
Cost:	
At 1 January 2023	230,821
Exchange adjustment	(3,299)
At 31 December 2023 and 1 January 2024	227,522
Exchange adjustment	(4,868)
At 31 December 2024	222,654
Accumulated impairment losses:	
At 1 January 2023, 31 December 2023,1 January 2024 and 31 December 2024	–
Carrying amount:	
At 31 December 2024	222,654
At 31 December 2023	227,522

Impairment tests for cash-generating unit containing goodwill

For the purpose of goodwill impairment testing, goodwill arising from the business combination was allocated to the appropriate cash-generation units ("CGU") of the Group identified according to the individual hydraulic orbital motor business acquired by the Group in 2022.

Goodwill is allocated to the Group's CGU as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Hydraulic orbital motor business	**222,654**	227,522

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL (Continued)

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2024	2023
Annual revenue growth rate during the forecast period	**17.4%**	16.8%
Operating profit margin	**11.5%**	14.8%
Growth rate beyond the forecast period	**2.0%**	3.0%
Pre-tax discount rate	**14.0%**	14.1%

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports.

The estimated recoverable amount of the CGU exceeded its carrying amount as at 31 December 2024 by approximately HK$17,392,000 (2023: HK$23,191,000).

Management performed sensitivity analysis of three key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for recoverable amount to equal carrying amount (in percentage point)

	2024	2023
Hydraulic orbital motor business		
Increase in discount rate	**+0.7%**	+0.6%
Decrease in annual revenue growth rate during the forecast period	**-0.9%**	-1.0%
Decrease in operating profit margin rate	**-0.7%**	-0.7%

15 DEFERRED EXPENSES

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Cost:		
At the beginning of the year	**584,397**	579,396
Additions	**88,158**	75,992
Disposals	**(75,919)**	(62,657)
Exchange adjustment	**(12,651)**	(8,334)
At the end of the year	**583,985**	584,397
Accumulated amortization:		
At the beginning of the year	**423,326**	416,128
Charge for the year	**86,802**	75,854
Disposals	**(75,919)**	(62,657)
Exchange adjustment	**(9,184)**	(5,999)
At the end of the year	**425,025**	423,326
Net book value:		
At the end of the year	**158,960**	161,071
At the beginning of the year	**161,071**	163,268

The amortization charges for the years ended 31 December 2024 and 2023 were included in "cost of sales" in the consolidated statement of profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

Company name	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Impro Holdings Limited	The British Virgin Islands	United States Dollar ("US$") 128,206	100%	–	Investment holding
Impro International Limited	Hong Kong	HK$1,000,000	–	100%	The principal activities of the company are investment holding, manufacturing and trading sales of investment casting, sand casting products, sales of and precision machining products, and provision of corporate and business development and customer relationship management functions
Impro Investment (Hong Kong) Limited	Hong Kong	HK$100	–	100%	Investment holding
Impro (China) Limited (鷹普(中國)有限公司)	The PRC — wholly foreign-owned enterprise	US$101,800,000	–	100%	Manufacturing investment casting, sand casting and precision machining products
Wuxi Impro-Bees Precision Hydraulics Co., Ltd. (無錫鷹貝精密液壓有限公司)	The PRC — wholly foreign-owned enterprise	US$15,800,000	–	100%	Manufacturing precision machining products
Impro Aerotek Limited (鷹普航空科技有限公司)	The PRC — wholly foreign-owned enterprise	US$115,667,718 (2023: US$110,000,000)	–	100%	Manufacturing investment casting and precision machining products
Wuxi Impro-Bees Plating and Painting Co., Ltd. (無錫鷹貝電化學工程有限公司)	The PRC — domestic enterprise	Chinese Yuan ("RMB") 8,119,156.47	–	100%	Providing surface treatment, including plating, anodizing, painting and coating
Impro Industries (Yixing) Co., Ltd. (鷹普機械(宜興)有限公司)	The PRC — wholly foreign-owned enterprise	US$56,800,000	–	100%	Manufacturing investment casting and sand casting products
Impro Industrial (Taizhou) Co., Ltd. (鷹普機械(泰州)有限公司)	The PRC — wholly foreign-owned enterprise	US$6,500,000	–	100%	Manufacturing sand casting products
Impro Aerotek (Nantong) Limited. (鷹普航空科技(南通)有限公司)	The PRC — domestic enterprise	RMB10,430,000	–	100%	Providing surface treatment, including plating, anodizing, painting and coating

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST IN SUBSIDIARIES (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Impross Impeller (Yixing) Co., Ltd. (鷹普羅斯葉輪(宜興)有限公司)	The PRC — equity joint venture	US$2,969,696.97	–	67%	Manufacturing machining parts and impellers
Impro Fluidtek Limited (鷹普流體科技有限公司)	The PRC — wholly foreign-owned enterprise	US$60,300,000	–	100%	Investment holding and trading of fluid components
Impro Industries USA, Inc.	United States	US$500,000	–	100%	Managing logistic centre, warehouses, sales of investment casting, sanding casting and precision machining products and provision of customer maintenance service
Impro Europe SARL	Luxembourg	EUR20,000	–	100%	Investment holding, managing logistic centre, sales of investment casting, sand casting and precision machining products and provision of customer maintenance service
Impro Germany GmbH	Germany	EUR250,000	–	100%	Provision of customer maintenance service
BFG Feinguss GmbH	Germany	EUR490,000	–	100%	Manufacturing investment casting products
BFG Czech s.r.o.	Czech Republic	Czech Koruna 1,450,000	–	100%	Manufacturing investment casting products
Cengiz Makina Sanayi ve Ticaret Anonim Sirketi	Turkey	TL7,005,000	–	100%	Manufacturing precision machining products
Impro Industries Mexico, S. de R.L. de C.V.	Mexico	Mexican Peso ("MXN") 3,814,222,319 (2023: MXN3,717,009,759)	–	100%	Manufacturing investing casting, sand casting and precision machining products
Impro Aerospace Mexico, S. de R.L. de C.V.	Mexico	MXN722,415,796 (2023: MXN497,623,535)	–	100%	Manufacturing aerospace end-market and providing surface treatment, including plating, anodizing, painting and coating products
Impro Aerotek International Limited	Hong Kong	US$3,000,000	–	100%	Investment holding and trading of aerospace and medical components
Impro Aerotek USA, Inc.	United States	US$1,000,000	–	100%	Logistics centre, warehouses, sales and customer services offices for aerospace and medical components

16 INTEREST IN SUBSIDIARIES (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Impro Aerotek Europe SARL	Luxembourg	EUR100,000	–	100%	Logistics centre, warehouses, sales and customer services offices for aerospace and medical components
Foshan Amerifirge Manufacturing Technology Co., Ltd. (佛山市美鍛製造技術有限公司)	The PRC — domestic enterprise	RMB44,776,317	–	100%	Manufacturing investment casting and precision machining products
Impro Fluidtek (Zhenjiang) Limited (鷹普流體科技(鎮江)有限公司)	The PRC — Sino-foreign joint venture	US$20,000,000	–	100%	Manufacturing fluid products
Impro Fluidtek International Limited	Hong Kong	US$530,950	–	100%	Investment holding and trading of fluid components
Impro Fluidtek Europe SARL	Luxembourg	EUR50,000	–	100%	Logistics centre, warehouses, sales and customer services offices for fluid components
Impro Fluidtek America Holding Inc.	United States	US$1,000,000	–	100%	Investment holding and trading of fluid components
Impro Fluidtek USA, LLC	United States	US$400,000	–	100%	Logistics centre, warehouses, sales and customer services offices for fluid components

17 OTHER FINANCIAL ASSET

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Equity securities at FVOCI (non-recycling)		
— Unlisted equity securities	**1,521**	1,554

The unlisted equity securities are shares in a private company incorporated in the PRC and primarily engaged in financial guarantee business. The Group designated its investment at FVOCI (non-recycling). No dividends were received on this investment during the years ended 31 December 2024 and 2023.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 33(e).

Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Financial Statements
Financial Summary

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Raw materials	**209,460**	253,368
Work in progress	**414,174**	378,371
Finished goods	**511,700**	441,233
	1,135,334	1,072,972
Write down of inventories	**(83,101)**	(111,777)
	1,052,233	961,195

(b) The analysis of the amount of inventories recognized as an expense and included in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Carrying amount of inventories sold	**3,443,328**	3,401,231
(Reversal of)/provision for write-down of inventories	**(25,677)**	24,816
	3,417,651	3,426,047

All inventories are expected to be recovered within one year.

19 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Trade receivables	**1,062,905**	1,026,376
Bills receivable	**70,180**	75,823
	1,133,085	1,102,199
Less: loss allowance	**(12,483)**	(20,826)
	1,120,602	1,081,373

All of the trade and bills receivables are expected to be recovered within one year.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of allowance for loss allowance, is as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Within 1 month	**507,337**	572,492
1 to 3 months	**478,504**	390,336
Over 3 months but within 12 months	**134,761**	118,545
	1,120,602	1,081,373

Trade and bills receivables are due within 15–120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 33(a).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Prepayments	**77,176**	81,803
Value added tax recoverable	**175,817**	173,916
Other deposits and receivables	**85,229**	47,147
	338,222	302,866

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Cash at bank	**601,562**	630,721
Cash in hand	**185**	129
	601,747	630,850

As at 31 December 2024, cash and cash equivalents situated in Chinese Mainland amounted to HK$446,668,000 (2023: HK$464,990,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

21 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Profit before taxation		**785,902**	619,872
Adjustments for:			
— Depreciation of property, plant and equipment	6(c)	**389,669**	389,862
— Amortization of intangible assets	6(c)	**26,265**	30,898
— Amortization of deferred expenses	6(c)	**86,802**	75,854
— Net finance costs	6(a)	**102,261**	108,377
— Net loss on disposal of property, plant and equipment	5(b)	**379**	8,030
— Provision for impairment loss on trade receivables	6(c)	**4,940**	4,071
— (Reversal of)/provision for write-down of inventories	6(c)	**(25,677)**	24,816
— Equity settled share-based payment expenses	6(b)	**136**	1,431
Operating profit before changes in working capital		**1,370,677**	1,263,211
(Increase)/decrease in inventories		**(89,917)**	170,294
(Increase)/decrease in trade and bills receivables		**(71,928)**	10,519
Increase in prepayments, deposits and other receivables		**(69,378)**	(63,603)
Increase in trade payables		**91,372**	60,973
(Decrease)/increase in deferred income		**(2,804)**	7,589
Increase in other payables and accruals		**33,059**	10,472
Decrease in defined benefit plan obligations		**(2,130)**	(4,919)
Cash generated from operations		**1,258,951**	1,454,536

21 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK$'000 (Note 22)	Lease liabilities HK$'000 (Note 23)	Total HK$'000
At 1 January 2023	2,186,644	19,263	2,205,907
Changes from financing cash flows:			
Proceeds from bank loans	1,295,027	–	1,295,027
Repayment of bank loans	(1,228,330)	–	(1,228,330)
Capital element of lease rentals paid	–	(14,986)	(14,986)
Interest element of lease rentals paid	–	(706)	(706)
Interest paid	(115,550)	–	(115,550)
Total changes from financing cash flows	(48,853)	(15,692)	(64,545)
Exchange adjustments	(12,838)	(100)	(12,938)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	13,131	13,131
Interest expenses (Note 6(a))	115,550	706	116,256
At 31 December 2023 and 1 January 2024	2,240,503	17,308	2,257,811
Changes from financing cash flows:			
Proceeds from bank loans	**1,529,452**	**–**	**1,529,452**
Repayment of bank loans	**(1,578,722)**	**–**	**(1,578,722)**
Capital element of lease rentals paid	**–**	**(5,241)**	**(5,241)**
Interest element of lease rentals paid	**–**	**(565)**	**(565)**
Interest paid	**(110,130)**	**–**	**(110,130)**
Total changes from financing cash flows	**(159,400)**	**(5,806)**	**(165,206)**
Exchange adjustments	**(6,351)**	**(122)**	**(6,473)**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	**–**	**1,908**	**1,908**
Decrease in lease liabilities from termination of leases during the year	**–**	**(2,618)**	**(2,618)**
Interest expenses (Note 6(a))	**110,130**	**565**	**110,695**
At 31 December 2024	**2,184,882**	**11,235**	**2,196,117**

21 CASH AND CASH EQUIVALENTS (Continued)

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Within operating cash flows	**2,213**	5,473
Within investing cash flows	**–**	39,309
Within financing cash flows	**5,806**	15,692
	8,019	60,474

These amounts relate to the following:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Lease rentals paid	**8,019**	21,165
Acquisition of leasehold land	**–**	39,309
	8,019	60,474

22 BANK LOANS

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Short-term bank loans	**468,170**	432,421
Current portion of long-term bank loans	**451,064**	596,173
Within 1 year or on demand	**919,234**	1,028,594
After 1 year but within 2 years	**551,719**	576,593
After 2 years but within 5 years	**713,929**	635,316
	1,265,648	1,211,909
	2,184,882	2,240,503

Notes:

(i) As at 31 December 2024 and 2023, the bank loans were unsecured.

(ii) Fulfilment of loan covenants

Certain banking facilities of the Group are subject to the fulfilment of financial covenants relating to certain of the financial ratios of the Group or the subsidiary of the Group, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 33(b). As at 31 December 2024 and 2023, none of the covenants relating to drawn down facilities was breached.

23 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Within 1 year	**3,778**	7,659
After 1 year but within 2 years	**3,575**	3,523
After 2 years but within 5 years	**3,882**	6,126
	7,457	9,649
	11,235	17,308

24 TRADE PAYABLES

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Trade payables	**588,573**	519,542

All of the trade payables are expected to be settled within one year or repayable on demand.

As of the end of the reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Within 1 month	**350,413**	311,748
1 to 3 months	**166,508**	166,343
Over 3 months	**71,652**	41,451
	588,573	519,542

25 OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Other payables (Note)	**299,031**	252,042
Accrued expenses	**79,027**	56,829
	378,058	308,871

All of the other payables are expected to be settled within one year or repayable on demand.

Note:

An analysis of the other payables of the Group is as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Deferred consideration payable	**21,432**	21,900
Salaries, wages, bonus and benefits payable	**100,307**	109,950
Payables for purchase of property, plant and equipment	**52,018**	33,158
Contract liabilities	**23,154**	21,108
Other taxes payable	**36,043**	18,262
Advances received for plant relocation	**8,621**	–
Maintenance costs payable	**4,820**	4,499
Freight costs payable	**7,775**	4,393
Others	**44,861**	38,772
	299,031	252,042

Contract liabilities represent customers' advances received for goods that have not yet been transferred to the customers. All of the other contract liabilities are expected to be recognized as income within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 28 June 2019, 30,230,000 share options were granted to directors, senior management and employees of the Group in three tranches under the Company's employee share option scheme. A portion of share options vested on 29 June 2023 and were exercised or expired during the year ended 31 December 2023, and the rest tranche of share options vested on 29 June 2024 and were exercised or expired during the year ended 31 December 2024. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 28 June 2019	2,000,400	On 29 June 2022	3.5 years
— on 28 June 2019	1,999,800	On 29 June 2023	4.5 years
— on 28 June 2019	1,999,800	On 29 June 2024	5.5 years
Options granted to senior management:			
— on 28 June 2019	1,558,646	On 29 June 2022	3.5 years
— on 28 June 2019	1,558,177	On 29 June 2023	4.5 years
— on 28 June 2019	1,558,177	On 29 June 2024	5.5 years
Options granted to employees:			
— on 28 June 2019	6,519,638	On 29 June 2022	3.5 years
— on 28 June 2019	6,517,681	On 29 June 2023	4.5 years
— on 28 June 2019	6,517,681	On 29 June 2024	5.5 years
Total share options granted	30,230,000		

(Expressed in Hong Kong dollars unless otherwise indicated)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$2.40**	**7,181,506**	HK$2.40	15,724,644
Exercised during the year		**–**	HK$2.40	(2,726,165)
Expired during the year	**HK$2.40**	**(6,554,014)**	HK$2.40	(4,478,341)
Forfeited during the year	**HK$2.40**	**(627,492)**	HK$2.40	(1,338,632)
Outstanding at the end of the year		**–**	HK$2.40	7,181,506
Exercisable at the end of the year		**–**		–

The weighted average share price at the date of exercise for the shares options exercised during the year ended 31 December 2023 was HK$2.40.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	Share options granted on 28 June 2019 (Tranche A)	Share options granted on 28 June 2019 (Tranche B)	Share options granted on 28 June 2019 (Tranche C)
Fair value at grant date	HK$1.01 per share option	HK$1.11 per share option	HK$1.12 per share option
Grant date share price	HK$3.00 per share	HK$3.00 per share	HK$3.00 per share
Exercise price	HK$2.40 per share	HK$2.40 per share	HK$2.40 per share
Expected volatility	39.0%	42.0%	40.0%
Contractual option life	3.5 years	4.5 years	5.5 years
Dividend yield	2.30%	2.30%	2.30%
Risk-free interest rate	1.49%	1.45%	1.45%
Exercise multiple			
— Directors	2.80	2.80	2.80
— Management	2.80	2.80	2.80
— Employees	2.20	2.20	2.20

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2024 HK$'000	2023 HK$'000
Provision for Chinese Mainland Corporate Profits Tax	**4,931**	(2,299)
Provision for Hong Kong Profits Tax	**9,971**	6,209
Provision for tax jurisdictions outside Chinese Mainland and Hong Kong Profits Tax	**141**	45,262
	15,043	49,172
Represented by:		
Taxation recoverable	**(9,387)**	(10,429)
Taxation payable	**24,430**	59,601
	15,043	49,172

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Inventory provision HK$'000	Unrealized profits on inventories HK$'000	Government grant HK$'000	Depreciation of property, plant and equipment HK$'000	Defined benefit plan obligations HK$'000	Accrued expenses HK$'000	Impairment of property, plant and equipment HK$'000	Differentiated functional and tax filing currency HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2023	10,330	19,588	12,113	9,178	10,152	9,584	8,944	–	23,492	103,381
Recognized in profit or loss	4,065	(4,483)	443	12,128	(2,984)	(588)	–	22,678	7,369	38,628
Recognized in other comprehensive income	–	–	–	–	2,059	–	–	–	–	2,059
Exchange adjustment	(27)	–	(175)	1,777	434	126	(504)	432	518	2,581
At 31 December 2023 and 1 January 2024	**14,368**	**15,105**	**12,381**	**23,083**	**9,661**	**9,122**	**8,440**	**23,110**	**31,379**	**146,649**
Recognized in profit or loss	**(4,893)**	**4,566**	**(1,219)**	**8,633**	**(4,987)**	**3,765**	**(8,385)**	**(3,315)**	**(25,602)**	**(31,437)**
Recognized in other comprehensive income	**–**	**–**	**–**	**–**	**2,750**	**–**	**–**	**–**	**–**	**2,750**
Exchange adjustment	**(249)**	**–**	**(246)**	**(5,073)**	**(586)**	**(748)**	**(55)**	**(1,328)**	**(1,605)**	**(9,890)**
At 31 December 2024	**9,226**	**19,671**	**10,916**	**26,643**	**6,838**	**12,139**	**–**	**18,467**	**4,172**	**108,072**

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized: (Continued)

(ii) The components of deferred tax liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Capitalized deferred expenses HK$'000	Fair value adjustment arising from business combination HK$'000	Capitalized borrowing costs HK$'000	Undistributed profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2023	34,720	28,266	7,517	11,991	58,558	141,052
Recognized in profit or loss	(543)	(3,718)	(460)	16,781	(58,764)	(46,704)
Effect of withholding tax on dividends	–	–	–	(14,894)	–	(14,894)
Exchange adjustment	(493)	(182)	(103)	–	1,413	635
At 31 December 2023 and 1 January 2024	**33,684**	**24,366**	**6,954**	**13,878**	**1,207**	**80,089**
Recognized in profit or loss	**192**	**(2,535)**	**(1,590)**	**7,323**	**1,375**	**4,765**
Effect of withholding tax on dividends	**–**	**–**	**–**	**(8,448)**	**–**	**(8,448)**
Exchange adjustment	**(723)**	**(1,397)**	**(127)**	**–**	**(83)**	**(2,330)**
At 31 December 2024	**33,153**	**20,434**	**5,237**	**12,753**	**2,499**	**74,076**

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized: (Continued)

(iii) Reconciliation to the consolidated statement of financial position:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Net deferred tax assets in the consolidated statement of financial position	**83,880**	121,256
Net deferred tax liabilities in the consolidated statement of financial position	**(49,884)**	(54,696)
	33,996	66,560

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(s), the Group has not recognized deferred tax assets of HK$63,362,000 (2023: HK$25,177,000) in respect of cumulative losses of the Group's subsidiaries in Chinese Mainland, United States, Germany, Mexico, Czech and Luxembourg of HK$308,681,000 (2023: HK$92,023,000) as at 31 December 2024, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entities. The tax losses arising from operations in Czech do not expire under current tax legislation. The tax losses arising from operations in Luxembourg prior to 1 January 2017 do not expire and any further losses arising from 1 January 2017 can be carried forward for 17 years.

(d) Deferred tax liabilities not recognized

As at 31 December 2024, deferred tax liabilities of HK$12,753,000 (2023: HK$13,878,000) were recognized in respect of withholding tax that would be payable on the distribution of the retained profits of the Group's subsidiaries in the foreseeable future. Temporary differences relating to the remaining undistributed profits of subsidiaries amounted to HK$3,025,184,000 (2023: HK$2,696,087,000). Deferred tax liabilities of HK$219,382,000 (2023: HK$192,175,000) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

28 DEFERRED INCOME

As at 31 December 2024, deferred income represented unamortized conditional government grants amounting to HK$129,208,000 (2023: HK$135,126,000) for acquisition of property, plant and equipment, leasehold land and investment incentive of the Group's PRC subsidiaries.

Deferred income is amortized over the useful life of the related property, plant, equipment and leasehold land upon the completion of the construction or upon the satisfaction of acceptance standards.

29 POST-EMPLOYMENT BENEFITS

(a) Defined benefit retirement plans

The Group has two defined benefit retirement plans for its employees in the Germany subsidiaries that were acquired by the Group on 31 March 2013 (the "Germany DBRPs").

The Group provides pension benefits for those employees who retire in the form of life-long annuities. These are in-line with usual German market practice and do not constitute any unusual or company-specific risks or require any specific regulatory framework to be taken into account. The costs of the Germany DBRPs are solely funded by the Group.

The actuarial valuation of the Germany DBRPs was performed by Mercer Deutschland GmbH, an independent actuary established under the German laws and regulations.

The Group has a defined benefit retirement plan for its employees in the Cengiz Makina that were acquired by the Group on 26 August 2014 (the "Turkey DBRP"). Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The liability is not funded, as there is no funding request. The obligation has been calculated by estimating the present value of the future probable obligation of Cengiz Makina arising from the employment termination.

The actuarial valuation of the Turkey DBRP was performed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S., an independent actuary established under the Turkish laws and regulations.

The Group also has two defined benefit retirement plans for its employees in the Mexico (the "Mexico DBRPs"). Under Mexico Federal Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for, dies, disability or who achieves the retirement age of 55, the Group is also required to pay seniority premium for its voluntary resignation employees after 15 years of service. The costs of the Mexico DBRPs are solely funded by the Group.

29 POST-EMPLOYMENT BENEFITS (Continued)

(a) Defined benefit retirement plans (Continued)

The actuarial valuation of the Mexico DBRPs was performed by Willis Towers Watson, an independent actuary established under the Mexico laws and regulations.

The actuarial valuations of the defined benefit retirement obligation were performed in accordance with IAS 19 *Employee Benefits* as at 31 December 2024 and 2023 by actuaries using the projected unit credit method.

(i) The amounts recognized in the consolidated statement of financial position are as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Present value of defined benefit plan obligations	**62,642**	64,268

(ii) Movements in the present value of the defined benefit plan obligations

	At 31 December	
	2024	2023
	HK$'000	HK$'000
At the beginning of the year	**64,268**	67,329
Remeasurements effect recognized in other comprehensive income:		
Actuarial loss	**4,911**	10,643
Exchange adjustment	**(4,407)**	(8,785)
	64,772	69,187
Benefits paid by the plans	**(15,015)**	(12,322)
Current service cost	**5,782**	4,173
Interest cost	**7,103**	3,230
At the end of the year	**62,642**	64,268

29 POST-EMPLOYMENT BENEFITS (Continued)

(a) Defined benefit retirement plans (Continued)

(iii) Amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current service cost	**5,782**	4,173
Interest on defined benefit plan obligations	**7,103**	3,230
Total amounts recognized in profit or loss (Note 6(b))	**12,885**	7,403
Actuarial loss	**4,911**	10,643
Exchange adjustment	**(4,407)**	(8,785)
Total amounts recognized in other comprehensive income	**504**	1,858
Total defined benefit costs	**13,389**	9,261

The weighted average duration of the defined benefit retirement plans obligation of the Germany DBRPs in Germany subsidiaries is 13 (2023: 14) years as at 31 December 2024.

The weighted average duration of the defined benefit retirement plans obligation of the Turkey DBRP in Cengiz Makina is 17 (2023: 19) years as at 31 December 2024.

The weighted average duration of the defined benefit retirement plans obligation of the Mexico DBRPs in a Mexican subsidiary is 10 (2023: 12) years as at 31 December 2024.

(iv) The current service cost and the interest on defined benefit plan obligations are recognized in the following line items in the consolidated statement of profit or loss:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Cost of sales	**5,782**	4,016
Administrative and other operating expenses	**7,103**	3,387
	12,885	7,403

29 POST-EMPLOYMENT BENEFITS (Continued)

(a) Defined benefit retirement plans (Continued)

(v) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2024	2023
Discount rate	**3.3%–28.0%**	4.0%–28.0%
Pension inflation	**2.1%–23.3%**	2.4%–24.0%

The below analysis shows how the defined benefit obligation as at 31 December 2024 and 2023 would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumptions:

	2024		2023	
	Increase in 0.5% HK$'000	**Decrease in 0.5% HK$'000**	Increase in 0.5% HK$'000	Decrease in 0.5% HK$'000
Discount rate	**(3,843)**	**4,234**	(3,733)	4,116
Pension inflation	**3,933**	**(3,618)**	3,967	(3,650)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments ("LSP") in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal.

In June 2022, the Government of HKSAR gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from the Transition Date i.e. 1 May 2025 and eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. However, the Amendment Ordinance does not impact the Group's LSP liability as at 31 December 2024 and 2023 since the Group makes voluntary (on top of mandatory) contributions to its employee's MPF scheme (Note 29(c)) and considers that the accrued benefits derived from such voluntary contributions are expected to be available to offset the eligible employees' LSP related to their service period after the Transition Date (with an overall cap of HK$390,000 per employee).

29 POST-EMPLOYMENT BENEFITS (Continued)

(c) Defined contribution retirement plans

Pursuant to the relevant labor rules and regulations in the Chinese Mainland, the Chinese Mainland subsidiaries of the Group participate in defined contribution retirement plans (the "Schemes") organized by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended 31 December 2024 and 2023. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contribution to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group's subsidiaries in jurisdictions other than the Chinese Mainland, Hong Kong, Germany, Turkey and Mexico, make contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdiction in which such subsidiary located.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Note	Share capital HK$'000	Reserves: Share premium HK$'000	Reserves: Capital reserve HK$'000	Reserves: Retained profits HK$'000	Total HK$'000
Balance at 1 January 2023		188,456	1,434,456	14,997	369,355	2,007,264
Changes in equity for 2023:						
Profit and total comprehensive income for the year		–	–	–	303,750	303,750
Equity settled share-based transactions	26	–	–	1,431	–	1,431
Appropriation of dividends	30(b)	–	–	–	(301,685)	(301,685)
Expiry of share options	26(b)	–	–	(5,004)	5,004	–
Exercise of share options	30(c)(ii)	273	9,308	(3,038)	–	6,543
Balance at 31 December 2023 and 1 January 2024		**188,729**	**1,443,764**	**8,386**	**376,424**	**2,017,303**
Changes in equity for 2024:						
Profit and total comprehensive income for the year		**–**	**–**	**–**	**928**	**928**
Equity settled share-based transactions	26	**–**	**–**	**136**	**–**	**136**
Second interim dividends approved in respect of the previous year	30(b)(ii)	**–**	**–**	**–**	**(150,983)**	**(150,983)**
First interim dividends declared in respect of the current year	30(b)(i)	**–**	**–**	**–**	**(150,983)**	**(150,983)**
Expiry of share options	26(b)	**–**	**–**	**(7,412)**	**7,412**	**–**
Balance at 31 December 2024	34	**188,729**	**1,443,764**	**1,110**	**82,798**	**1,716,401**

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
First interim dividend declared and paid of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,920
Second interim dividend declared after the end of the reporting period of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,983
	301,966	301,903

The second interim dividend declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,765

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

(i) Issued share capital

	2024		2023	
	No. of shares	**HK$**	No. of shares	HK$
Authorized:				
Ordinary shares of HK$0.1 each (Note)	**13,500,000,000**	**1,350,000,000**	13,500,000,000	1,350,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,887,285,665**	**188,728,567**	1,884,559,500	188,455,950
Shares issued under share option scheme	**–**	**–**	2,726,165	272,617
At 31 December	**1,887,285,665**	**188,728,567**	1,887,285,665	188,728,567

Note:

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

In 2023, a total of 2,726,165 options were exercised to subscribe for a total of 2,726,165 ordinary shares in the Company at a consideration of HK$6,543,000, of which HK$273,000 was credited to share capital and HK$6,270,000 was credited to share premium. HK$3,038,000 was transferred from the capital reserve to the share premium account in accordance with the policy set out in Note 2(r)(iii).

Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Financial Statements
Financial Summary

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed.

(ii) Capital reserve

The capital reserve represents (i) the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of issued share capital of the Company pursuant to the reorganization prior to 2011; (ii) the equity component of the financial instruments issued; and (iii) the portion of the grant date fair value of unexercised share options granted that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(r)(iii).

(iii) Statutory surplus reserve

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of certain subsidiaries of the Company in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with the PRC accounting standards to various reserves. These include general reserve and statutory surplus reserve.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC accounting standards, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

The Group's subsidiary Cengiz Makina established and operated in the Turkey are required to appropriate their statutory profits (after offsetting prior year losses) to statutory surplus reserves. In accordance with the Turkish Commercial Code ("TCC"), the statutory reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than HK$. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(u).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(f)(ii)).

(e) Distributability of reserves

As at 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,527,672,000 (2023: HK$1,821,298,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt to capital ratio. For this purpose, the Group defines net debt as total current and non-current bank loans and lease liabilities less cash and cash equivalents. The Group defines capital as including all components of equity.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management (Continued)

The Group's net debt to capital ratio at 31 December 2024 and 2023 was as follows:

	Note	**31 December 2024 HK$'000**	31 December 2023 HK$'000
Current liabilities:			
Bank loans	22	**919,234**	1,028,594
Lease liabilities	23	**3,778**	7,659
		923,012	1,036,253
Non-current liabilities:			
Bank loans	22	**1,265,648**	1,211,909
Lease liabilities	23	**7,457**	9,649
		1,273,105	1,221,558
Total debt		**2,196,117**	2,257,811
Less: Cash and cash equivalents	21(a)	**(601,747)**	(630,850)
Net debt		**1,594,370**	1,626,961
Total Equity		**4,742,914**	4,900,956
Net debt to capital ratio		**33.6%**	33.2%

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in Note 22, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

31 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	At 31 December	
	2024	2023
	HK$'000	HK$'000
Contracted for	**425,442**	286,521
Represented by:		
Construction of plants	**344,840**	154,740
Acquisition of machinery	**80,602**	131,781
	425,442	286,521

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Short-term employee benefits	**28,601**	30,629
Share-based payments	**38**	1,216
Contributions to defined contribution retirement plans	**1,920**	1,993
	30,559	33,838

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12% (2023: 12%) and 35% (2023: 31%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 15 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**HK$'000**	**HK$'000**
Current (not past due)	**0.2%**	**901,440**	**2,219**
Less than 1 month past due	**1.8%**	**102,939**	**1,890**
1 to 3 months past due	**5.5%**	**38,610**	**2,134**
More than 3 months but less than 12 months past due	**11.7%**	**13,759**	**1,613**
More than 12 months past due	**75.2%**	**6,157**	**4,627**
		1,062,905	**12,483**

	At 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Current (not past due)	0.2%	854,635	1,862
Less than 1 month past due	1.2%	109,936	1,320
1 to 3 months past due	3.7%	34,548	1,279
More than 3 months but less than 12 months past due	10.2%	8,402	853
More than 12 months past due	82.3%	18,855	15,512
		1,026,376	20,826

Expected loss rates are based on actual loss experience over the past years.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Movement in the loss allowance in respect of trade receivables during the year is as follows:

	2024 HK$'000	2023 HK$'000
Balance at 1 January	**20,826**	16,855
Impairment loss recognized during the year	**4,940**	4,071
Amounts written off during the year	**(12,873)**	(26)
Exchange adjustment	**(410)**	(74)
Balance at 31 December	**12,483**	20,826

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with leading covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At 31 December 2024					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	**Carrying amount at 31 December 2024 HK$'000**
Bank loans	**1,035,134**	**571,087**	**800,716**	**–**	**2,406,937**	**2,184,882**
Trade payables	**588,573**	**–**	**–**	**–**	**588,573**	**588,573**
Other payables and accruals	**378,058**	**–**	**–**	**–**	**378,058**	**378,058**
Lease liabilities	**4,190**	**3,835**	**4,092**	**–**	**12,117**	**11,235**
	2,005,955	**574,922**	**804,808**	**–**	**3,385,685**	**3,162,748**

	At 31 December 2023					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 December 2023 HK$'000
Bank loans	1,082,501	645,339	684,794	–	2,412,634	2,240,503
Trade payables	519,542	–	–	–	519,542	519,542
Other payables and accruals	308,871	–	–	–	308,871	308,871
Lease liabilities	8,189	3,869	6,442	–	18,500	17,308
	1,919,103	649,208	691,236	–	3,259,547	3,086,224

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. For this purpose, the Group defines "total borrowings" as being interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate risk profile

The following, as reported to the management of the Group, details the interest rate risk profile of the Group's total borrowings (as defined above) as at the end of the reporting period:

	At 31 December			
	2024		2023	
	Effective Interest rate %	**Amount HK$'000**	Effective Interest rate %	Amount HK$'000
Fixed rate borrowings:				
Bank loans	**3.00%**	**773,061**	3.17%	830,691
Lease liabilities	**4.57%**	**11,235**	3.64%	17,308
		784,296		847,999
Variable rate borrowings:				
Bank loans	**5.94%**	**1,411,821**	6.76%	1,409,812
Total borrowings		**2,196,117**		2,257,811
Fixed rate borrowings as a percentage of total borrowings		**35.7%**		37.6%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2024, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased or increased the Group's profit after tax and retained profits by approximately HK$11,789,000 (2023: HK$11,772,000) in response to the general increase or decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk. The impact on the Group's profit after tax (and retained profits) is estimated as an annualized impact on interest expense of such a change in interest rates. Fixed rate financial instruments are excluded for the above analysis. The analysis is performed on the same basis as 2023.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, cash and bank loans balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, EUR, RMB, TL and MXN.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from the recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in HK$ translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than HK$ into the Group's presentation currency are excluded.

	At 31 December	
	2024	2023
	HK$'000	HK$'000
US$		
Trade and bills receivables	**487,030**	523,971
Other receivables	**–**	1,772
Cash and cash equivalents	**98,962**	75,012
Trade payables	**(25,752)**	(40,226)
Bank loans	**–**	(312,702)
Net exposure arising from recognized assets and liabilities	**560,240**	247,827

	At 31 December	
	2024	2023
	HK$'000	HK$'000
EUR		
Trade and bills receivables	**102,176**	89,701
Other receivables	**697**	477
Cash and cash equivalents	**1,968**	6,557
Trade payables	**(13,655)**	(13,008)
Net exposure arising from recognized assets and liabilities	**91,186**	83,727

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) *Exposure to currency risk* (Continued)

	At 31 December	
	2024	2023
	HK$'000	HK$'000
RMB		
Trade and bills receivables	**116**	186
Other receivables	**1,368**	5,294
Cash and cash equivalents	**849**	673
Trade payables	**(908,721)**	(683,228)
Other payables and accruals	**(313)**	(5,190)
Bank loans	**(316,186)**	–
Net exposure arising from recognized assets and liabilities	**(1,222,887)**	(682,265)

	At 31 December	
	2024	2023
	HK$'000	HK$'000
TL		
Trade and bills receivables	**9,772**	18,048
Cash and cash equivalents	**488**	1,825
Trade payables	**(15,274)**	(394)
Net exposure arising from recognized assets and liabilities	**(5,014)**	19,479

	At 31 December	
	2024	2023
	HK$'000	HK$'000
MXN		
Trade and bills receivables	**4,290**	–
Other receivables	**16,071**	–
Cash and cash equivalents	**1,438**	508
Trade payables	**(1,090)**	(38,348)
Other payables and accruals	**(93)**	(44)
Net exposure arising from recognized assets and liabilities	**20,616**	(37,884)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase/ (decrease) in foreign exchange rates %	**Increase/ (decrease) in profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after tax and retained profits HK$'000
US$	**5%**	**23,691**	5%	10,480
	(5%)	**(23,691)**	(5%)	(10,480)
EUR	**5%**	**3,856**	5%	3,541
	(5%)	**(3,856)**	(5%)	(3,541)
RMB	**5%**	**(51,713)**	5%	(28,851)
	(5%)	**51,713**	(5%)	28,851
TL	**5%**	**(193)**	5%	750
	(5%)	**193**	(5%)	(750)
MXN	**5%**	**861**	5%	(1,582)
	(5%)	**(861)**	(5%)	1,582

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit/loss after tax and equity measured in the respective functional currencies, and then translated into HK$ at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of the Group's subsidiaries with functional currency other than HK$ into the Group's presentation currency. The analysis is performed on the same basis as 2023.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

— Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of derivative financial instruments are as follows:

	Fair value at 31 December 2024	Fair value measurement at 31 December 2024 categorized into		
	HK$'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial asset:				
Unlisted equity securities	**1,521**	**–**	**–**	**1,521**

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2023 HK$'000	Fair value measurement at 31 December 2023 categorized into Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial asset:				
Unlisted equity securities	1,554	–	–	1,554

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of unlisted equity instruments is determined using the price book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2024, it is estimated that a general decrease or increase in discount for lack of marketability by 5%, with all other variables held constant, would have increased or decreased other comprehensive income by HK$3,000 (2023: HK$3,000). Unrealized loss in respect of unlisted equity securities of HK$nil (2023: HK$nil) were recognized in fair value reserve (non-recycling) in other comprehensive income during 2024. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits. Further disclosures in report of this asset is set out in Note 17.

Except for unlisted equity securities, all financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at 31 December 2024 and 2023.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Interest in subsidiaries		**1,716,095**	2,015,346
		1,716,095	2,015,346
Current assets			
Other receivables		**304**	1,813
Tax recoverable		**480**	175
Cash and cash equivalents		**451**	531
		1,235	2,519
Current liabilities			
Other payables		**929**	562
		929	562
Net current assets		**306**	1,957
Total assets less current liabilities		**1,716,401**	2,017,303
NET ASSETS		**1,716,401**	2,017,303
CAPITAL AND RESERVES	30		
Share capital		**188,729**	188,729
Reserves		**1,527,672**	1,828,574
TOTAL EQUITY		**1,716,401**	2,017,303

(Expressed in Hong Kong dollars unless otherwise indicated)

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a second interim dividend. Further details are disclosed in Note 30(b).

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the directors consider the immediate parent of the Company is Impro Development Limited, a company incorporated in British Virgin Islands. The ultimate controlling party is Mr. Lu Ruibo, Chairman of the Group. Impro Development Limited does not produce financial statements available for public use.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

HK$ million	2024	2023	2022	2021	2020
Consolidated statement of profit or loss					
Revenue	**4,686.8**	4,604.4	4,354.7	3,777.7	2,924.6
Gross profit	**1,269.1**	1,178.3	1,261.0	1,022.4	767.3
Gross profit margin	**27.1%**	25.6%	29.0%	27.1%	26.2%
Other revenue	**33.2**	30.2	23.9	34.4	36.6
Other net income/(loss)	**125.5**	20.0	(24.6)	(48.0)	(27.8)
Impairment loss on goodwill and other assets	**–**	–	–	–	(445.2)
Selling and distribution expenses	**(177.0)**	(158.5)	(180.7)	(187.4)	(117.0)
Administrative and other operating expenses	**(362.6)**	(341.7)	(334.7)	(328.4)	(245.9)
Profit/(loss) from operations	**888.2**	728.3	744.9	493.0	(32.0)
Operating profit/(loss) margin	**19.0%**	15.8%	17.1%	13.1%	-1.1%
Net finance costs	**(102.3)**	(108.4)	(55.9)	(24.4)	(20.8)
Profit/(loss) before taxation	**785.9**	619.9	689.0	468.6	(52.8)
Income tax	**(140.1)**	(33.1)	(106.2)	(82.8)	(91.5)
Profit/(loss) for the year	**645.8**	586.8	582.8	385.8	(144.3)
Net profit/(loss) margin	**13.8%**	12.7%	13.4%	10.2%	-4.9%
Non-controlling interest	**(1.5)**	(1.7)	(0.8)	(3.0)	(3.9)
Profit/(loss) attributable to shareholders of the Company	**644.3**	585.1	582.0	382.8	(148.2)
Adjusted NPAT[1]	**617.0**	533.7	649.9	425.2	317.3
Adjusted profit attributable to shareholders of the Company	**615.5**	532.0	649.1	422.2	313.4
EBITDA	**1,390.9**	1,224.9	1,165.5	910.0	356.7
Adjusted EBITDA	**1,318.6**	1,214.9	1,227.6	940.9	801.9
Adjusted EBITDA margin	**28.1%**	26.4%	28.2%	24.9%	27.4%
Basic earnings/(loss) per share (HK cents)	**34.1**	31.0	30.9	20.3	(7.9)
Adjusted earnings per share (HK cents)	**32.6**	28.2	34.5	22.4	16.6
Dividend per share (HK cents)	**16.0**	16.0	16.0	10.1	4.2

FINANCIAL SUMMARY

HK$ million	**2024**	2023	2022	2021	2020
Consolidated statement of financial position					
Property, plant and equipment	**4,322.6**	4,535.5	4,050.2	3,970.1	3,256.6
Goodwill and intangible assets	**406.9**	442.3	479.2	43.7	60.3
Cash and cash equivalents and pledged deposits	**601.7**	630.9	483.3	579.0	602.0
Other current and non-current assets	**2,840.6**	2,692.2	2,750.3	2,449.5	1,753.4
Total assets	**8,171.8**	8,300.9	7,763.0	7,042.3	5,672.3
Bank loans and lease liabilities	**2,196.1**	2,257.8	2,205.9	1,544.9	853.8
Other current and non-current liabilities	**1,232.9**	1,142.2	1,159.1	1,118.0	785.6
Total liabilities	**3,429.0**	3,400.0	3,365.0	2,662.9	1,639.4
Net assets	**4,742.8**	4,900.9	4,398.0	4,379.4	4,032.9
Equity attributable to shareholders of the Company	**4,721.4**	4,880.6	4,379.3	4,356.1	4,013.1
Non-controlling interest	**21.5**	20.3	18.7	23.3	19.8
Total equity	**4,742.8**	4,900.9	4,398.0	4,379.4	4,032.9
Other information/Ratio					
Inventory turnover days	**118**	123	135	121	137
Trade & bills receivables turnover days	**87**	88	88	84	100
Trade payables turnover days	**59**	52	48	42	48
Capital expenditures	**632.7**	713.0	599.7	1,054.1	470.5
Free cash inflow/(outflow) from operations (FCF)[2]	**456.2**	508.5	169.0	(606.3)	364.0
FCF/Adjusted NPAT	**73.9%**	95.3%	26.0%	-142.6%	114.7%
Net gearing ratio	**33.6%**	33.2%	39.2%	22.1%	6.2%
Net debt to adjusted EBITDA[3]	**1.2**	1.3	1.4	1.0	0.3
Interest coverage (times)[4]	**7.4**	6.2	13.4	18.5	11.6
Adjusted return on equity[5]	**12.8%**	11.5%	14.9%	10.1%	7.8%

Notes:

1. Adjusted NPAT represents NPAT added back significant one-off items, and amortisation and depreciation related to purchase price allocation, net of tax.

2. FCF represented net cash generated from operating activities less net cash used in investing activities but add back cash used in acquisitions (as shown in the caption of “Payment of deferred consideration payable” and “Decrease in restricted deposits”).

3. Adjusted EBITDA represents EBITDA added back significant one-off items.

4. Interest coverage is profit from operations (adjusted for significant one-off items) divided by interest expenses on total interest-bearing bank loans and lease liabilities.

5. Adjusted return on equity is calculated as adjusted profit for the year attributable to shareholders of the Company divided by the average of the beginning and ending total equity attributable to equity shareholders of the Company of the same year.