

Impro

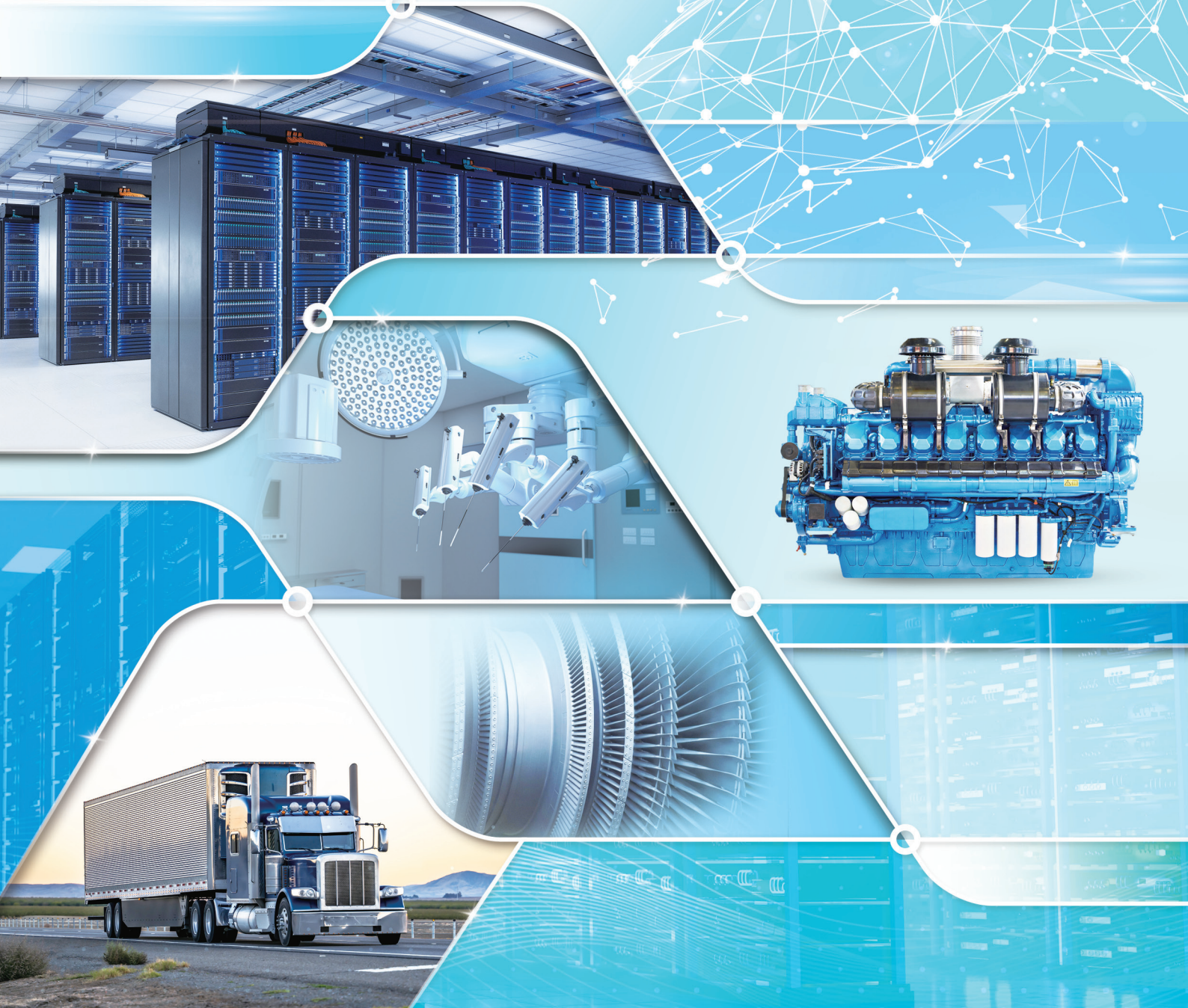
鷹普精密工業有限公司
Impro Precision Industries Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1286


2025

ANNUAL REPORT

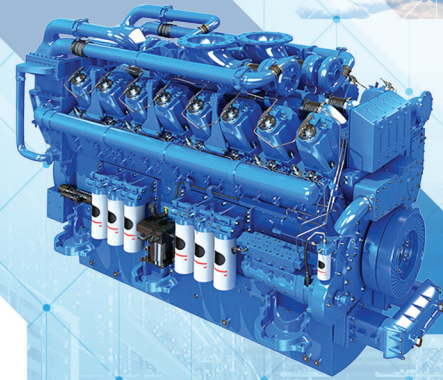


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 This annual report is printed on environmentally friendly paper.





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.

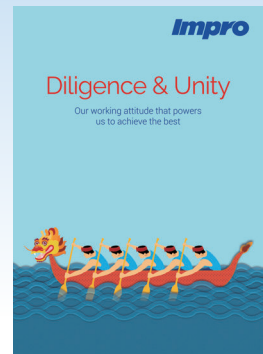
IMPRO CORE VALUES

Integrity and Credibility



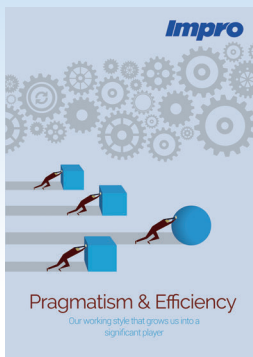
It means following through on the promises we make, and conducting business ethically and responsibly. At Impro, this is a critical element of everything we do. It guides our every action and reinforces our commitment to honesty, transparency, business ethics and regulatory compliance, both within our 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)
Mr. YU Yuepeng
Ms. ZHU Liwei
Mr. WANG Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. YEN Gordon
Mr. LEE Siu Ming
Mrs. CHOW Lok Mei Ki Cindy

AUDIT COMMITTEE

Mrs. CHOW Lok Mei Ki Cindy *(Chairperson)*
Dr. YEN Gordon
Mr. LEE Siu Ming

REMUNERATION COMMITTEE

Mr. LEE Siu Ming *(Chairman)*
Mr. LU Ruibo
Mrs. CHOW Lok Mei Ki Cindy

NOMINATION COMMITTEE

Mr. LU Ruibo *(Chairman)*
Dr. YEN Gordon
Mr. LEE Siu Ming
(resigned with effect from 12 August 2025)
Mrs. CHOW Lok Mei Ki Cindy
(appointed with effect from 12 August 2025)

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

LEGAL ADVISOR AS TO HONG KONG LAW

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

CORPORATE INFORMATION

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 Communications Limited
Bank of Communications (Hong Kong) Limited
Bank of Jiangsu Co., Ltd.
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Company Limited
Citibank, N.A., Hong Kong Branch
CTBC Bank Co., Ltd.
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Ping An Bank Co., Ltd.
Taishin International Bank Co., 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

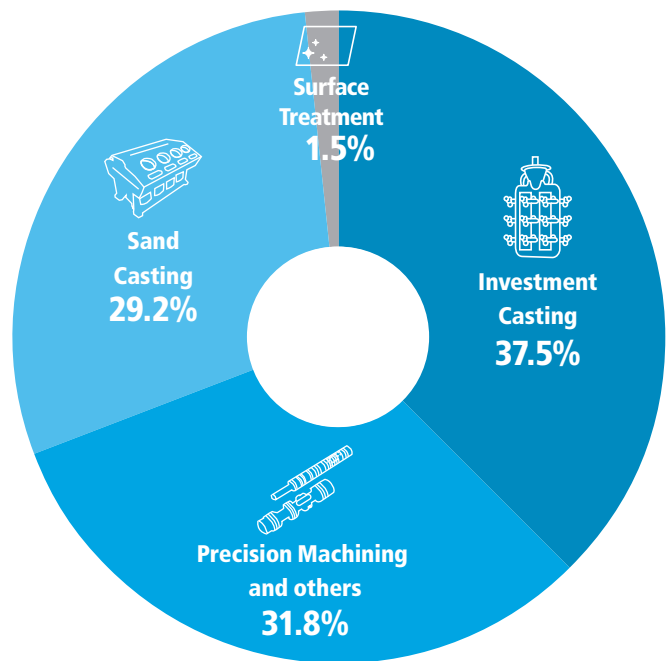
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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 2024. 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



2025 Group Revenue : **HK\$5,095.5 Million**

Revenue Growth Rate : **8.7%**

CORPORATE PROFILE

Employees Worldwide



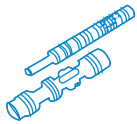
8,200+ employees, including **600+** engineers around the world

Customers



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

SKUs



- **1,400+** new component SKUs co-developed with customers in 2025
- **~9,700** active component SKUs

Patents



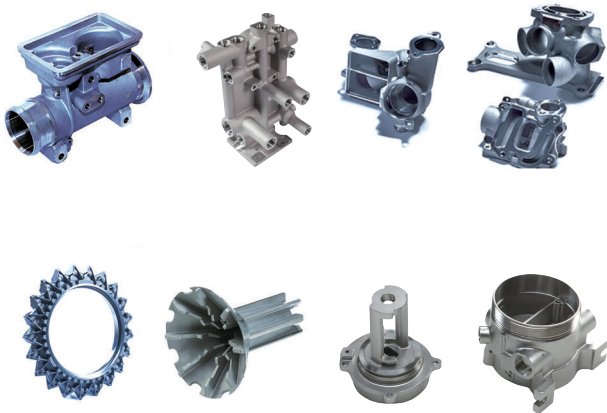
- **96** new patent applications in 2025
- **Total 575** registered patents, covering certain key technologies used in our production process



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 10 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 37.5% of the Group's revenue for the year ended 31 December 2025. 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 2025, 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.

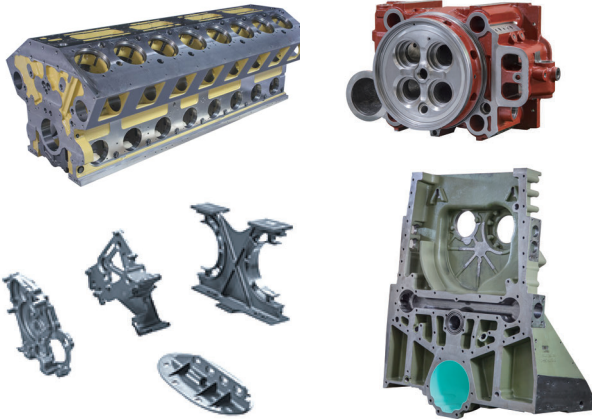
PRECISION MACHINING AND OTHERS



Precision machining and others is the second largest business segment of the Group which accounted for 31.8% of the Group's revenue for the year ended 31 December 2025. 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 2025, 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 29.2% of the Group's revenue for the year ended 31 December 2025. 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 sales to the high horsepower engine and construction equipment end-markets. In 2025, 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 1.5% of the Group's revenue for the year ended 31 December 2025. 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 2025, our surface treatment customers were from China, and sales were mainly to aerospace, energy & medical end-markets.

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 and 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 and 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 and 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	Components for cooling system, pumps, bearings, fire safety equipment and food processing machinery
Passenger car	Investment casting, precision machining and surface treatment	Components for fuel systems, EGR systems, turbochargers, 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

OUR END-MARKETS (Continued)

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

Feb
2025

Impro Aerotek received the Honeywell Excellent Supplier Award for "Lean Manufacturing"



Impro-Bees Hydraulics won multiple awards at Bosch Rexroth 2025 China Supplier Conference

May
2025

Jul
2025

Impro received an A-Rating from Wind ESG



Liebherr signed framework agreement with Impro Group to further deepen strategic collaboration

Aug
2025

Sep
2025

Impro Aerospace Mexico investment casting production line successfully completed its first run



Impro-Bees Plating & Painting won Outstanding Supplier Award at Oriental Bluesky Titanium Technology 2025 Supplier Conference

Oct
2025

KEY MILESTONES

Nov
2025

Impro was honored at New Quality Productive Forces Enterprise Award 2025



Impro Aerotek won GE Aerospace APAC "Excellence in Delivery Performance" Award

Impro Yixing was awarded Shanghai MHI Engine "Excellent Supplier" Award

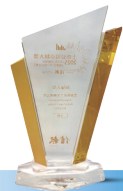


Impro was awarded BorgWarner "Globalization Pioneer" Award



Dec
2025

Impro won Hong Kong Economic Journal "Listed Company Awards of Excellence" the fifth time



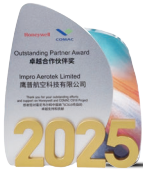
Impro received Outstanding Listed Companies Award from IFAPC for fourth consecutive years



Impro Yixing won the "Outstanding Quality Award" from Weichai Power



Impro Aerotek won Honeywell & COMAC "Outstanding Partner Award"



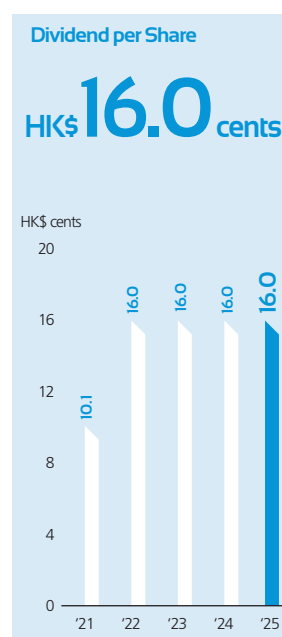
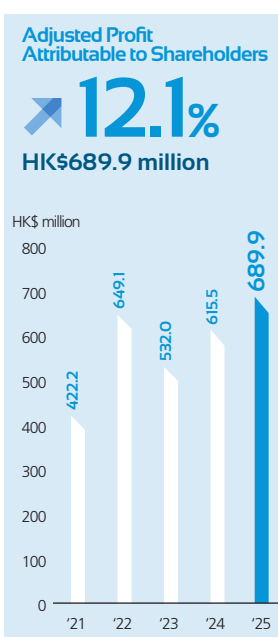
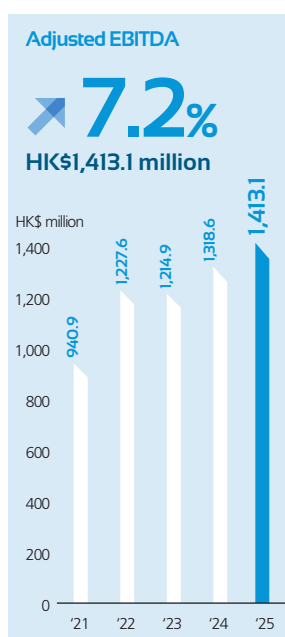
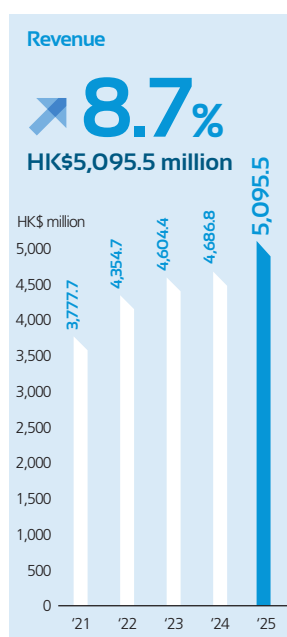
SILVER | Top 15%
ecovadis
Sustainability Rating
FEB 2026

Impro earned first EcoVadis Silver Medal after three consecutive years of bronze recognition

Feb
2026

FINANCIAL HIGHLIGHTS

HK\$ million	Year ended 31 December		
	2025	2024	Change
Revenue	5,095.5	4,686.8	8.7%
Gross profit	1,400.1	1,269.1	10.3%
Gross profit margin	27.5%	27.1%	0.4%
Profit attributable to shareholders of the Company	726.2	644.3	12.7%
Adjusted profit attributable to shareholders of the Company ¹	689.9	615.5	12.1%
Earnings per share — Basic (HK cents)	38.5	34.1	12.7%
Adjusted basic earnings per share (HK cents)	36.6	32.6	12.3%
Dividend per share (HK cents)	16.0	16.0	0.0%
EBITDA ²	1,413.1	1,390.9	1.6%
EBITDA margin	27.7%	29.7%	-2.0%
Adjusted EBITDA ³	1,413.1	1,318.6	7.2%
Adjusted EBITDA margin	27.7%	28.1%	-0.4%
Net cash generated from operating activities	1,258.7	1,146.2	9.8%
Free cash inflow from operations ⁴	281.6	456.2	-38.4%



For the year ended 31 December

FINANCIAL HIGHLIGHTS

HK\$ million	As at 31 December 2025	As at 31 December 2024	Change
Cash and cash equivalents	720.9	601.7	19.8%
Total debt	2,430.8	2,196.1	10.7%
Net debt (total debt less cash and cash equivalents)	1,709.9	1,594.4	7.2%
Total equity	5,623.2	4,742.9	18.6%
Market capitalization ⁵	9,191.1	3,680.2	149.7%
Enterprise value ⁶	10,919.3	5,296.1	106.2%
Key Financial Ratios			
Adjusted return on equity ⁷	13.4%	12.8%	
Price earnings ratio	12.7	5.7	
Enterprise value to adjusted EBITDA ratio	7.7	4.0	
Net debt to adjusted EBITDA ratio	1.2	1.2	
Net gearing ratio	30.4%	33.6%	
Interest coverage ⁸	9.9	7.4	

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	
	2025 HK\$ million	2024 HK\$ million
Profit for the year	728.1	645.8
Adjustments:		
— Insurance claims received, net of legal expenses & tax, as a result of Nantong fire incident	—	(61.5)
— Amortization and depreciation related to purchase price allocation, net of tax	26.2	32.7
— Recognition of deferred tax assets of tax losses of a PRC subsidiary arising from intragroup reorganization	(62.5)	—
Adjusted profit for the year	691.8	617.0
Less: Profit attributable to non-controlling interest	(1.9)	(1.5)
Adjusted profit attributable to shareholders of the Company	689.9	615.5

- 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 2025 and 2024.

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

	Year ended 31 December	
	2025 HK\$ million	2024 HK\$ million
EBITDA	1,413.1	1,390.9
Adjustments:		
— Insurance claims received, net of legal expenses as a result of Nantong fire incident	—	(72.3)
Adjusted EBITDA	1,413.1	1,318.6

- 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\$4.87 per share as of 31 December 2025; HK\$1.95 per share as of 31 December 2024).
- 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 2025 and 2024.
- 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 2025.

During the year ended 31 December 2025, the revenue of the Group amounted to HK\$5,095.5 million, representing a year-on-year increase of 8.7%. Profit attributable to shareholders of the Company (“**Shareholders**”) amounted to HK\$726.2 million, representing a year-on-year increase of 12.7%. Adjusted profit attributable to Shareholders amounted to HK\$689.9 million, representing a year-on-year increase of 12.1%. Basic earnings per share amounted to 38.5 HK cents (for the year ended 31 December 2024: 34.1 HK cents). 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 2025 in lieu of a final dividend. Together with the first interim dividend of 8.0 HK cents per share for 2025 already distributed, dividend per share for the year amounted to 16.0 HK cents (for the year ended 31 December 2024: 16.0 HK cents).

In 2025, the artificial intelligence boom, intense volatility and unpredictability of US tariff policy and ongoing geopolitical conflicts continued to intertwine, profoundly affecting the global market landscape and trends. By virtue of its solid business foundation and its enduringly effective strategies of “Global Footprint”, “Region for Region Manufacturing” and “Dual Source Production”, the Group successfully mitigated market risks and achieved growth in its results. During the year, the development momentum of artificial intelligence remained strong, driving continued growth in demand for related data centers. As a key component of distributed power generators, the demand for high horsepower engines rose significantly, leading to a substantial year-on-year increase of 43.3% in the Group’s sales in the high horsepower engine end-market. Meanwhile, the growth in demand for liquid cooling systems related to artificial intelligence data centers was also very strong, driving a substantial year-on-year increase of 38.4% in revenue from the diversified industrials others end-market. In addition, as new products commenced mass production, revenue from the medical end-market recorded a significant year-on-year increase of 55.2%.

In addition, as the Group’s Mexico SLP Campus is still in the ramp-up stage, with high employee turnover leading to rising scrap rates, it continued to record a relatively large net loss during the year. Fortunately, most of our plants in China continued stellar financial performance and significant profit growth. This, coupled with the decrease in the Group’s financing costs, successfully drove a 12.1% increase in the Group’s adjusted profit attributable to Shareholders for 2025. The Group’s robust financial performance in 2025, coupled with its forward-looking global footprint and diversified end-markets advantages, successfully attracted capital from Hong Kong, overseas and Chinese Mainland to purchase the Company’s shares during the year. In 2025, the Company’s share price increased significantly by approximately 1.5 times compared to the end of 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 sector recorded a considerable increase in sales for the year, with sector revenue increasing by 23.6% year-on-year to HK\$2,792.7 million. The large-scale construction of artificial intelligence data centers globally has led to a year-on-year surge of 43.3% and 38.4% in sales in the high horsepower engine end-market and the others end-market for the year, respectively. In 2025, the sales of the high horsepower engine end-market became the Group's largest sub-sector end-market, accounting for 22.1% of total revenue.

In addition, the construction equipment and the recreational boats and vehicle end-markets returned to growth, with sales increasing by 11.2% and 4.0% year-on-year to HK\$721.3 million and HK\$154.4 million, respectively. Although sales in the agricultural equipment end-market decreased to HK\$302.5 million, the rate of decline narrowed to 6.7%.

The aerospace, energy and medical sector remained stable overall, with sales increasing by 3.7% year-on-year to HK\$815.6 million. The medical end-market experienced strong growth, with sales increasing significantly by 55.2% year-on-year to HK\$133.2 million. However, the energy end-market saw a year-on-year decrease in sales of 14.8% to HK\$138.0 million due to weak in the oil and gas market, while the aerospace end-market remained basically flat, with sales increasing by 1.1% year-on-year.

For the year, sales in the automotive sector decreased by 9.3% to HK\$1,487.2 million. Among them, revenue from the passenger car end-market decreased by 6.2% year-on-year, while the commercial vehicle end-market decreased by 12.7% year-on-year, primarily affected by weakening demand in the European and United States markets.

CHAIRMAN'S STATEMENT

By End-market	Year ended 31 December					
	2025		2024		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Change
Diversified Industrials	2,792.7	54.8%	2,260.0	48.2%	532.7	23.6%
— High Horsepower Engine	1,125.9	22.1%	785.8	16.8%	340.1	43.3%
— Construction Equipment	721.3	14.2%	648.5	13.8%	72.8	11.2%
— Agricultural Equipment	302.5	5.9%	324.3	6.9%	(21.8)	-6.7%
— Recreational Boat and Vehicle	154.4	3.0%	148.4	3.2%	6.0	4.0%
— Others	488.6	9.6%	353.0	7.5%	135.6	38.4%
Automotive	1,487.2	29.2%	1,640.5	35.0%	(153.3)	-9.3%
— Passenger Car	799.1	15.7%	852.0	18.2%	(52.9)	-6.2%
— Commercial Vehicle	688.1	13.5%	788.5	16.8%	(100.4)	-12.7%
Aerospace, Energy & Medical	815.6	16.0%	786.3	16.8%	29.3	3.7%
— Aerospace	544.4	10.7%	538.6	11.5%	5.8	1.1%
— Energy	138.0	2.7%	161.9	3.5%	(23.9)	-14.8%
— Medical	133.2	2.6%	85.8	1.8%	47.4	55.2%
Total	5,095.5	100.0%	4,686.8	100.0%	408.7	8.7%

In local currencies, the revenue of the Group increased by 7.5% year-on-year. Such growth rate was lower than the reported revenue growth rate primarily due to the appreciation of average foreign exchange rate of Euro against HKD by 4.7% 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 35.1%. With the completion of the rehabilitation and commencement of operations of the Nantong plant, revenue of the Group's surface treatment business segment increased significantly by 29.4% year-on-year. The robust sales growth in the medical end-market offset the impact of weak demand in some of the automotive end-markets, driving a year-on-year increase of 5.8% in revenue from investment casting business segment. However, due to weakening demand in the automotive sector, revenue from precision machining and others decreased by 5.8% year-on-year.

By Business Segment	Year ended 31 December					
	2025		2024		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Change
Investment casting	1,909.9	37.5%	1,804.7	38.5%	105.2	5.8%
Precision machining and others	1,619.8	31.8%	1,720.3	36.7%	(100.5)	-5.8%
Sand casting	1,487.5	29.2%	1,101.3	23.5%	386.2	35.1%
Surface treatment	78.3	1.5%	60.5	1.3%	17.8	29.4%
Total	5,095.5	100.0%	4,686.8	100.0%	408.7	8.7%

Revenue by geographical market

In 2025, benefiting from the strong sales growth of high horsepower engine products in China, the Group's business in Asia performed well, with revenue increasing by 29.7% year-on-year. Revenue from the Americas continued to grow, with an increase of 4.3%, while revenue from Europe only grew by 2.1%.

By Geographical Market	Year ended 31 December					
	2025		2024		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Change
Americas	2,429.2	47.7%	2,328.5	49.7%	100.7	4.3%
— United States	2,080.9	40.9%	2,082.3	44.4%	(1.4)	-0.1%
— Others	348.3	6.8%	246.2	5.3%	102.1	41.5%
Europe	1,451.2	28.5%	1,421.6	30.3%	29.6	2.1%
Asia	1,215.1	23.8%	936.7	20.0%	278.4	29.7%
— PRC	1,095.3	21.4%	817.9	17.5%	277.4	33.9%
— Others	119.8	2.4%	118.8	2.5%	1.0	0.8%
Total	5,095.5	100.0%	4,686.8	100.0%	408.7	8.7%

CHAIRMAN'S STATEMENT

CORPORATE AWARDS

In 2025, the Group's products and services continued to receive high recognition from customers and were repeatedly honored with important awards, including the "Excellent Supplier Award for Lean Manufacturing" from Honeywell Aerospace, "Excellence in Delivery Performance Award" from GE Aerospace APAC, the 2025 "Excellence in Delivery Performance Award" from Pratt & Whitney China, and the 2025 "Strategic Supplier Award", "Excellence Performance Award" and "Long Service Award" from Bosch Rexroth. On the capital market front, by virtue of its robust business performance, clear strategic layout and continuous value enhancement, the Group once again received multi-party recognition from the market during the year. These included the "New Quality Productive Forces Enterprise Award 2025", the "Listed Company Excellence Award" from the Hong Kong Economic Journal, a major Hong Kong financial media outlet, for the fifth consecutive year, and the "Listed Company Annual Award" from the Hong Kong Stock Analysts Association for the fourth consecutive year. In February 2026, the Company was included by MSCI as a constituent of the MSCI Hong Kong Small Cap Index. Furthermore, EcoVadis, a corporate social responsibility rating service provider, awarded the Group a Silver Medal for the first time in February 2026 after awarding it Bronze Medal for three consecutive years. These accolades reflect the continued confidence in Impro's business resilience, growth potential and corporate governance.

DEVELOPMENT STRATEGY AND OUTLOOK

Looking ahead to 2026, the strategic competition in Sino-US relations, the continuous evolution of the geopolitical situation, the uncertain trend of fiscal policies in major global economies, and unpredictable nature of tariff policies will continue to bring challenges to the global economy and add complexity to corporate operations. However, the current trading environment highlights the advantages of the Group's three long-standing strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engine", which enable us to meet the needs of customers for manufacturers with multiple sources of supply to mitigate supply chain risks. In view of the expected continued strong growth of artificial intelligence data centers related products, coupled with a large number of new orders at the Mexico SLP Campus and the recovery of demand in certain end-markets, the Group's sales revenue growth rate is expected to accelerate over the next two to three years. Based on the Group's outstanding orders on hand and the progress of future new project development, the Company forecasts that the year-on-year sales growth rate in 2026 will be approximately mid-double digits.

Among these, the diversified industrials sector is expected to continue to demonstrate robust growth momentum. The Group will actively seize the growth opportunities brought by industries related to artificial intelligence data centers and effectively translate them into sustained business results. In the high horsepower engine sector, as products are upgraded from castings and rough machining to a higher proportion of deep processing and partial full-finishing, combined with the successive mass production for new projects involving both existing and new customers, and with the large-scale sand casting workshop in Phase II of the Mexico SLP Campus commencing mass production in the middle of this year to provide more capacity, it is expected that high horsepower engine-related components will embark on a new growth curve starting from 2026. Meanwhile, leveraging its unique technological advantages and customer relationship in the field of data center liquid cooling systems, the Group's related business is ushering in rapid growth. With the expansion of production capacity of the investment casting plant at the Mexico SLP Campus, it is expected to continuously increase its market share in 2026 and beyond.

CHAIRMAN'S STATEMENT

DEVELOPMENT STRATEGY AND OUTLOOK (Continued)

The aerospace, energy and medical sector (“**aerospace sector**”) will become one of the Group’s primary growth engines in the future. The Group will precisely capture the strategic opportunities arising from the current supply chain capacity constraints in this sector. In the aerospace end-market, the Mexican plants obtained the initial phase of AS9100 quality system certification in January 2026. As aerospace products involve various specialized processes, it is expected that the relevant certifications will be completed successively in the second half of 2026, and mass production will gradually commence. In the medical end-market, the Group will continue to develop surgical robots related products, which are expected to demonstrate certain growth potential in the coming years. In the energy end-market, due to the global power shortage, demand for industrial gas turbines as primary power generation equipment remains robust. Capturing this trend may lead to a further increase in related capital expenditure.

According to industry forecasts, the global investment casting market is set to grow from approximately US\$17.5 billion in 2025 to more than US\$23.8 billion in 2031, of which approximately US\$4 billion will be coming from the aerospace, energy and medical sector. To capture this market opportunity and gain a share of the market growth, the Group is continuously evaluating a potential spin-off and separate listing of the aerospace, energy and medical sector, as well as various other feasible financing options to support the expansion of future production capacity and process categories and make forward-looking preparations for the long-term sustainable development of the aerospace sector.

The automotive sector will exhibit structural divergence, with demand for passenger cars projected to continue to decline, while the commercial vehicle market is expected to resume growth. In response to this trend, the Group will continue to optimize its product structure, focus on increasing sales of commercial vehicles, and effectively control capital expenditure related to passenger cars, while attentive to any business opportunities that may arise during the downturn period of the passenger car market. In the commercial vehicle end-market, the Group will continue to consolidate and increase its market share in traditional internal combustion engines, while flexibly seizing strategic opportunities to enter the electric commercial vehicle market. It is expected that from the third quarter of 2026, related products will enter a steady ramp-up phase, thereby driving relatively strong sales growth in the electric commercial vehicle market.

Currently, although the Sino-US trade war has temporarily eased, providing some breathing space for the market, the United States-Mexico-Canada Agreement (“**USMCA**”) will face renewal negotiations in 2026, which will pose challenges to the future business development of the Group and its customers with the capricious and unpredictable nature of the US tariff policy, and the unknown impact of the US-Iran War on global geopolitics and the global economy. Although overall operations still face numerous uncertainties, the strategic value and commercial potential of the Mexico SLP Campus within the Group’s “Global Footprint” will gradually become apparent, with its long-term development potential and contribution worth expecting. In terms of internal management, as more employee dormitories in Mexico are successively put into use, it is expected that the issue of employee turnover will be effectively alleviated. Moreover, to seize the opportunities from the rapid growth of the global investment casting market and to meet strong customer demand, the Group will moderately increase the capital expenditure of the aerospace plant in the Mexico SLP Campus. Subject to prudent assessment, the Group will continue to seek opportunities for expansion of production capacity and process categories to share in the dividends of market growth. The Group expects capital expenditure for 2026 to be approximately HK\$850 million, of which more than three-quarters will be allocated to the Mexico SLP Campus, with the remainder to be primarily invested in our plants in China.

CHAIRMAN'S STATEMENT

DEVELOPMENT STRATEGY AND OUTLOOK (Continued)

The plants in China are expected to continue leveraging their advantages in operational efficiency and cost control to deliver sustained and steady performance to the Group. With the successful relocation of Foshan Ameriforge (Plant 12) to Nantong and the gradual stabilization of its operations, the plant has demonstrated a steady growth trend in its performance. In addition, plant 8 for surface treatment in Nantong is expected to achieve a turnaround to profitability in 2026. However, high staff turnover and high scrap rate at the Mexico plants are expected to continue for a certain period of time. The hyperinflation in Turkey and the ongoing appreciation of Renminbi will pose significant challenges to the Group. This is further compounded by the unpredictability of US tariff policy and the expiration of the truce period of the Sino-US trade war in November 2026, uncertainties surrounding the renewal of the USMCA as scheduled, as well as the ongoing Middle East US-Iran War, coupled with the intensifying trend of global geopolitical conflicts, all of which will bring considerable pressure and uncertainties to the Group's results. The relevant management of the Group will pay close attention to and make every effort to cope with these challenges and strive to achieve stable growth in results of the Group.

To actively explore and lay out the medium-to-long-term growth momentum, the Group has formally established the "Future Business Unit", which focuses on identifying and evaluating emerging market opportunities that align with the Group's strategic direction, with the aim of cultivating potential growth projects for the Group. The Group is not only committed to consolidating the stable growth of existing businesses, but will also continue to explore new opportunities in future industrial trends through systematic and forward-looking positioning. The Future Business Unit will serve as a key engine for exploration and innovation, assisting the Group's existing "Aerotek Business Unit", "Fluidtek Business Unit" and "Mechatek Business Unit" in enhancing market share and global industry status amidst dynamic competition and laying the foundation for the next stage of advancement.

Looking ahead, the Group will focus on the three core strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engine", while simultaneously promoting the expansion of the diversified industrials, aerospace, energy and medical and automotive end-markets, and precisely seizing the strategic opportunities brought by the artificial intelligence. Meanwhile, the Group will continue to optimize its global production capacity allocation, give full play to the advantages of its global footprint, and actively promote end-market diversification and regional production synergy. In addition, the Group will continue to seek merger and acquisition opportunities with synergistic effects, strengthen its research and development and technical capabilities, drive continuous improvement of the Group's results by providing diversified, high-quality products and services, and strive to create stable and growing returns for 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, 10 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

HK\$ million	Year ended 31 December		
	2025	2024	Change
Revenue	5,095.5	4,686.8	8.7%
Gross profit	1,400.1	1,269.1	10.3%
Gross profit margin	27.5%	27.1%	0.4%
Other revenue	31.5	33.2	-5.1%
Other net income	12.1	125.5	-90.4%
Selling and distribution expenses	(189.7)	(177.0)	7.2%
As a % of revenue	3.7%	3.8%	-0.1%
Administrative and other operating expenses	(359.5)	(362.6)	-0.9%
As a % of revenue	7.1%	7.7%	-0.6%
Profit from operations	894.5	888.2	0.7%
Operating profit margin	17.6%	19.0%	-1.4%
Net finance costs	(78.8)	(102.3)	-23.0%
Profit before taxation	815.7	785.9	3.8%
Income tax	(87.6)	(140.1)	-37.5%
Adjusted effective tax rate ¹	18.4%	18.1%	0.3%
Profit for the year	728.1	645.8	12.7%
Net profit margin	14.3%	13.8%	0.5%
Profit attributable to:			
Equity shareholders of the Company	726.2	644.3	12.7%
Non-controlling interest	1.9	1.5	26.7%
	728.1	645.8	12.7%

Note:

- Adjusted effective tax rate (non-IFRS measure) is computed as below:

	Year ended 31 December	
	2025 HK\$ million	2024 HK\$ million
Profit before taxation	815.7	785.9
Less: Insurance claims received, net of legal expenses as a result of Nantong fire incident	–	(72.3)
Adjusted profit before taxation	815.7	713.6
Income tax	(87.6)	(140.1)
Add: Tax impact on adjusting items above	–	10.8
Less: Recognition of deferred tax assets of tax losses of a PRC subsidiary arising from intragroup reorganization	(62.5)	–
Adjusted income tax	(150.1)	(129.3)
Adjusted effective tax rate	18.4%	18.1%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2025 increased by 8.7% to HK\$5,095.5 million as compared to last year of HK\$4,686.8 million. In local currencies, the Group's revenue increased by 7.5% year-on-year. Such growth rate was lower than the reported revenue growth rate mainly due to the appreciation of average foreign exchange rates of Euro against HKD by 4.7% compared with the previous year.

Gross profit and gross profit margin

The Group's gross profit increased by HK\$131.0 million, or 10.3% to HK\$1,400.1 million for the year ended 31 December 2025 as compared to HK\$1,269.1 million for the year ended 31 December 2024. The gross profit of investment casting business increased by HK\$20.5 million, or 3.3% to HK\$645.5 million, mainly due to revenue increase from medical and diversified industrials end-markets which was partially offset by revenue decline from automotive end-market. The gross profit of precision machining and others business decreased by HK\$51.4 million to HK\$275.4 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\$148.9 million, or 47.2% to HK\$464.4 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 reported a gross profit of HK\$14.8 million for the year ended 31 December 2025, compared to a gross profit of HK\$1.8 million for the year ended 31 December 2024. This improvement is attributed to the rehabilitation of the Nantong plant since January 2024.

The Group's gross profit margin was 27.5% for the year ended 31 December 2025, compared with 27.1% in last year. The increase in gross profit margin was mainly attributed to the robust demand from high horsepower engine end-market, 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 2025, the Group's other revenue decreased by HK\$1.7 million to HK\$31.5 million (2024: HK\$33.2 million). Other revenue mainly represented various discretionary incentives from the local governments in the PRC in relation to technology development and other incentive programs.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other net income

The Group recorded other net income of HK\$12.1 million for the year ended 31 December 2025 (2024: HK\$125.5 million). Other net income amount was significant in 2024 because the Group received insurance compensation from the Nantong fire incident net of legal expense of HK\$72.3 million, and reported a net foreign exchange gain of HK\$45.8 million mainly due to devaluation of RMB against HKD.

Selling and distribution expenses

The Group's selling and distribution expenses increased by HK\$12.7 million, or 7.2%, to HK\$189.7 million for the year ended 31 December 2025 as compared to HK\$177.0 million for the year ended 31 December 2024. The increase in selling and distribution expenses was mainly due to a significant increase in tariff expenses by HK\$17.6 million or 68.8% to HK\$43.2 million. Selling and distribution expenses to revenue ratio was 3.7% for the year ended 31 December 2025 (2024: 3.8%).

Administrative and other operating expenses

The Group's administrative and other operating expenses decreased by HK\$3.1 million, or 0.9%, to HK\$359.5 million for the year ended 31 December 2025, as compared to HK\$362.6 million in last year. The decrease in administrative and other operating expenses was mainly attributable to the decrease in amortization and depreciation expense of HK\$8.4 million as the acquisition of Turkish subsidiary related intangibles and fixed assets have been fully amortized and depreciated in 2024. Administrative and other operating expenses to revenue ratio was 7.1% for the year ended 31 December 2025 (2024: 7.7%).

Net finance costs

The Group's net finance costs decreased by HK\$23.5 million to HK\$78.8 million for the year ended 31 December 2025. The decrease was mainly attributable to the lower interest rate of HKD borrowings during the year ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Income tax

The Group's income tax expenses decreased to HK\$87.6 million for the year ended 31 December 2025 from HK\$140.1 million for the year ended 31 December 2024. Income tax expenses were lower in 2025 mainly due to the one-off recognition of deferred tax assets of HK\$62.5 million by a PRC subsidiary arising from intragroup reorganization. Adjusted effective tax rate was 18.4% for the year ended 31 December 2025 (2024: 18.1%).

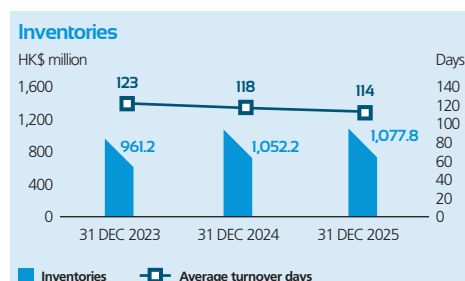
Working capital

	As at 31 December 2025 HK\$ million	As at 31 December 2024 HK\$ million
Inventories	1,077.8	1,052.2
Trade and bills receivables	1,337.6	1,120.6
Prepayments, deposits and other receivables	286.8	338.2
Trade payables	(644.8)	(588.6)
Other payables and accruals	(408.9)	(378.1)
Deferred income	(139.7)	(129.2)
Defined benefit retirement plans obligation	(58.8)	(62.6)
Total working capital	1,450.0	1,352.5
Total working capital as a % of Revenue	28.5%	28.9%

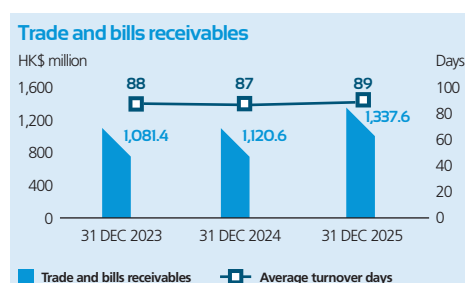
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

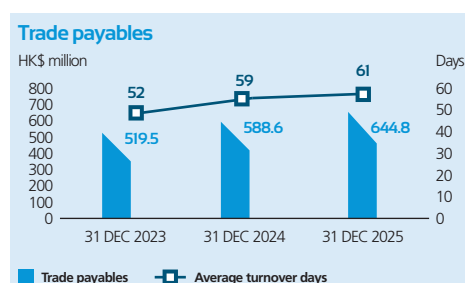
Inventories increased by HK\$25.6 million to HK\$1,077.8 million as of 31 December 2025 (31 December 2024: HK\$1,052.2 million) mainly due to increase in raw materials to cope with higher customers' demand during the year ended 31 December 2025. Inventory turnover days decreased 4 days to 114 days as at 31 December 2025 from 118 days as at 31 December 2024.



Trade and bills receivables increased by HK\$217.0 million to HK\$1,337.6 million as of 31 December 2025 (31 December 2024: HK\$1,120.6 million) mainly due to increase in revenue during the year ended 31 December 2025. Trade and bills receivables average turnover days increased to 89 days as at 31 December 2025 (31 December 2024: 87 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 2025, current receivables and overdue balances of less than 30 days has increased to 96.2% (as at 31 December 2024: 94.8%) of the balance of the gross trade and bills receivables.



Trade payables increased by HK\$56.2 million to HK\$644.8 million as of 31 December 2025 (31 December 2024: HK\$588.6 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 2025 increased to 61 days as compared to 59 days as at 31 December 2024.



EBITDA and Net profit

The Group's EBITDA was HK\$1,413.1 million, or EBITDA margin of 27.7% for the year ended 31 December 2025, as compared to EBITDA of HK\$1,390.9 million, or EBITDA margin of 29.7% in last year. Profit attributable to Shareholders was HK\$726.2 million, as compared to a profit of HK\$644.3 million in last year. Net profit margin for the year ended 31 December 2025 was 14.3%, as compared to 13.8% in last year.

Excluding one-off deferred tax assets recognition in 2025, insurance compensation received from the Nantong fire incident in 2024 and the amortization and depreciation expenses related to past acquisitions in both years, the Group's adjusted profit attributable to Shareholders was HK\$689.9 million for the year ended 31 December 2025, an increase of 12.1% as compared to HK\$615.5 million in last year. Adjusted net profit margin was 13.6% for the year ended 31 December 2025, as compared to 13.2% attained in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Financial resources and liquidity

As at 31 December 2025, the total assets of the Group increased by 14.9% to HK\$9,389.9 million and total equity increased by 18.6% to HK\$5,623.2 million as compared to the amount as at 31 December 2024. The increase of total assets was mainly attributable to the appreciation of MXN and RMB against HKD that increased the HKD value of property, plant and equipment amount of Mexico and China plants respectively together with continued capital expenditures in Mexico plants during the year ended 31 December 2025. The Group's current ratio as at 31 December 2025 was 1.60, as compared to 1.63 as at 31 December 2024. The change in current ratio was primarily due to increase in short-term bank borrowings during the year ended 31 December 2025.

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\$1,258.7 million for the year ended 31 December 2025. 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 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	
	2025 HK\$ million	2024 HK\$ million
Cash generated from/(used in)		
Operating activities	1,258.7	1,146.2
Investing activities	(977.1)	(690.0)
Financing activities	(185.5)	(467.2)
Net movement in cash	96.1	(11.0)

Cash generated from operating activities was HK\$1,258.7 million for the year ended 31 December 2025, an increase of HK\$112.5 million compared to HK\$1,146.2 million in last year. The increase in cash flows from operating activities was mainly due to a decrease in net working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cash used in investing activities was HK\$977.1 million for the year ended 31 December 2025, an increase of HK\$287.1 million compared to HK\$690.0 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\$904.3 million.

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

	Year ended 31 December	
	2025 HK\$ million	2024 HK\$ million
Payment of property, plant and equipment	(904.3)	(612.0)
Proceeds from disposal of property, plant and equipment	3.4	1.7
Payment for deferred expenses	(87.5)	(88.1)
Interest received	11.3	8.4
Net cash used in investing activities	(977.1)	(690.0)

Cash used in financing activities was HK\$185.5 million for the year ended 31 December 2025, compared to HK\$467.2 million in last year.

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

	Year ended 31 December	
	2025 HK\$ million	2024 HK\$ million
Proceeds from bank loans	1,601.7	1,529.4
Repayment of bank loans	(1,385.3)	(1,578.7)
Interest paid	(89.5)	(110.1)
Payment of lease rentals	(5.1)	(5.8)
Dividend paid to equity shareholders of the Company	(302.0)	(302.0)
Dividend paid to non-controlling interest	(5.3)	–
Net cash used in financing activities	(185.5)	(467.2)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Indebtedness

As at 31 December 2025, the Group's total borrowings were HK\$2,430.8 million, an increase of HK\$234.7 million from HK\$2,196.1 million as at 31 December 2024. Long-term borrowings accounted for 56.2% of total borrowings (as at 31 December 2024: 58.0%).

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 2025 HK\$ million	As at 31 December 2024 HK\$ million
Current bank loans	1,061.1	919.2
Non-current bank loans	1,359.5	1,265.6
Current lease liabilities	4.4	3.8
Non-current lease liabilities	5.8	7.5
Total borrowings	2,430.8	2,196.1

As at 31 December 2025, the Group had total banking facilities available for draw-down of HK\$2,505.0 million (as at 31 December 2024: HK\$2,308.6 million).

The Group's net gearing ratio as at 31 December 2025 was 30.4% (as at 31 December 2024: 33.6%). This ratio is based on total borrowings less cash and cash equivalents divided by total equity. The gearing level has decreased mainly due to increase in total equity balance as a result of appreciation of MXN and RMB that increased the exchange reserve during the year ended 31 December 2025.

Capital Expenditures and Commitments

The management of the Group exercised careful control over capital expenditures. Capital expenditures of the Group amounted to HK\$897.7 million for the year ended 31 December 2025 (2024: HK\$632.7 million) which was primarily used in the infrastructure and machinery spending for the new plants in Mexico, as well as the production capacity expansion in the Group's PRC plants. Among which, the Group incurred HK\$706.3 million (2024: HK\$290.1 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 2025 amounted to HK\$481.0 million (as at 31 December 2024: HK\$425.4 million), which were mainly related to plants construction and acquisition of machinery.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Pledge of Assets

No property, plant and equipment of the Group were pledged as security for bank borrowings/facilities as at 31 December 2025 (as at 31 December 2024: nil).

Contingent Liabilities

No material contingent liability existed as at 31 December 2025.

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 2025.

Significant Investments

As at 31 December 2025, the Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2025.

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 minimized 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. As at 31 December 2025, HK\$859.7 million of borrowings were at fixed interest rates, while the cash and cash equivalents were mainly denominated in RMB, USD, TL, MXN and HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2025, the Group did not use any financial instrument for hedging purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Employees and Remuneration Policy

As at 31 December 2025, the Group had 8,271 full-time employees of whom 5,981 were based in Mainland China and 2,290 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\$1,362.8 million for the year ended 31 December 2025 (2024: HK\$1,309.5 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.

Sustainability

During the year, the Group deepened its commitment and actions on reducing greenhouse gas emission in the Group's manufacturing plants. As a result of various energy efficiency enhancement projects and acceleration of energy mix transformation of our global plants, the Group's greenhouse gas emission intensity decreased by 2.3% year-on-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 41.5% and 58.3%, respectively. The Group has also made progress with waste disposal intensity, with 90.9% of waste being recycled in 2025, compared to 87.8% in 2024.

During the year, the Group was awarded an A-Rating from Wind ESG, a leading China ESG rating agency covering more than 12,000 corporate entities. This ESG score ranked Impro in the top 10% of its industry peers. Further in February 2026, the Group was accredited the Silver Medal by a global reputable sustainability rating agency EcoVadis for the first time, with its score significantly improving by 15 points year-on-year to 77, after awarding it Bronze Medals for three consecutive years, signifying the Group's outstanding corporate social responsibility and sustainability achievements.

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\$1,460 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 recognized by capital markets. During the year ended 31 December 2025, the Company's share price rose by approximately 1.5 times compared to the end of 2024. Since its listing in 2019, the total return to shareholders (including dividend income) has exceeded 86%, or the compound annual growth rate has reached 10%. As of the date of this report, the Company is a constituent of MSCI Hong Kong Small Cap Index.

IMPRO SHARE PRICE SINCE 2025



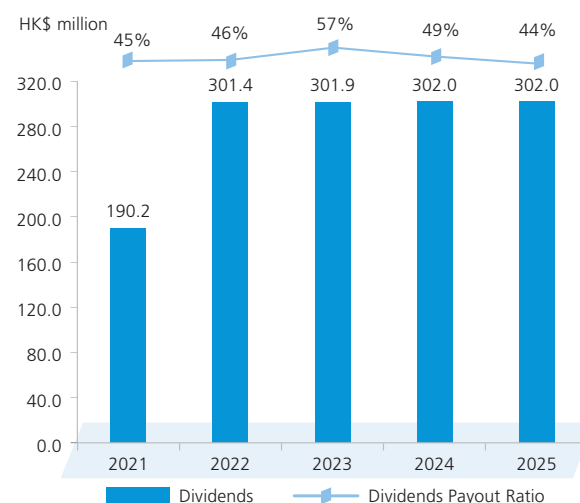
Dividend Payments

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 2025 of 8.0 HK cents per share. Along with the first interim dividend of 2025 of 8.0 HK cents per share, dividend for the year amounted to 16.0 HK cents per share or equivalent to a 44% dividend payout ratio based on the adjusted profit attributable to Shareholders for the financial year 2025. Details of the Group's dividend policy are set out in the Report of the Directors on page 62.

Share Price Performance

For the year ended 31 December	2025
Highest closing price (Nov 12)	HK\$6.09
Lowest closing price (Jan 9)	HK\$1.93

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 38 to 54.

INVESTOR COMMUNICATIONS

We make every effort to maintain an open dialog 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
- Quarterly sales performance in April and October every year
- 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 2025: 1,887,285,665

DIVIDEND

Dividend per share for the year ended 31 December 2025

- 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

8 April 2026	Ex-dividend date
9 April 2026, 4:30 p.m.	Latest time to lodge share transfer
10–14 April 2026 (both days inclusive)	Closure of Register of Members — Payment of 2025 second interim dividend
14 April 2026	Record date of 2025 second interim dividend
22 April 2026	Payment of 2025 second interim dividend
April 2026	1st Quarter Sales Performance Announcement
20–26 May 2026 (both days inclusive)	Closure of Register of Members — Annual General Meeting
26 May 2026	2025 Annual General Meeting
August 2026	2026 Interim Results Announcement
October 2026	3rd Quarter Sales Performance 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 2025, our China plants conducted a comprehensive equipment upgrade to enhance efficiency and reduce energy use. Following a full motor assessment, 21 outdated units were phased out, and energy-efficient water pump and air conditioning motors are now being installed. These high-efficiency models are expected to cut electricity consumption, lowering operational energy demand and improving environmental performance. The Group's greenhouse gas emission intensity decreased by 2.3% year-on-year 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 41.5% and 58.3%, respectively. The Group continued to improve its waste management performance, recycling 90.9% of total solid waste in 2025, up from 87.8% in 2024.

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 wellbeing of our people and to operate in accordance with high ethical and environmental standards. In 2025, our Mexico plants successfully obtained ISO 14001 certification, further strengthening the Group's global environmental management system and demonstrating the Group's ongoing commitment to responsible manufacturing practices.

During the year, the Group was awarded an A-Rating from Wind ESG, a leading China ESG rating agency covering more than 12,000 corporate entities. This ESG score ranked Impro in the top 10% of its industry peers. Further in February 2026, the Group was accredited the Silver Medal by a global reputable sustainability rating agency EcoVadis for the first time, with its score significantly improving by 15 points year-on-year to 77, after awarding it Bronze Medals for three consecutive years, signifying the Group's outstanding corporate social responsibility and sustainability achievements.

The Group reports its sustainability performance in details in a separate 2025 ESG Report. The report is available in English and traditional Chinese. It is prepared in accordance with the Environmental, Social and Governance Reporting Code in Appendix C2 of the Listing Rules 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 websites.

Our 2030 Goals

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



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FRAMEWORK

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for its shareholders. The Company is committed to maintaining high standards and has applied the principles in the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices with effect from the Listing Date.

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 2025, 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 chief executive officer. 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 endeavors to enhance corporate efficiency and profitability through the Board. The directors recognize their collective and individual responsibility to the shareholders and perform their duties diligently to contribute to positive results for the Group and maximize returns for shareholders.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

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 recognizes 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 2025, 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 55 to 61 of this annual report.

	Name of Directors	Relevant Board Committees
Executive Directors (EDs)	Mr. LU Ruibo (<i>Chairman and CEO</i>) Mr. YU Yuepeng Ms. ZHU Liwei Mr. WANG Dong	NC RC SC SC SC
Independent Non-executive Directors (INEDs)	Dr. YEN Gordon Mr. LEE Siu Ming Mrs. CHOW Lok Mei Ki Cindy	AC NC SC AC RC SC AC NC RC

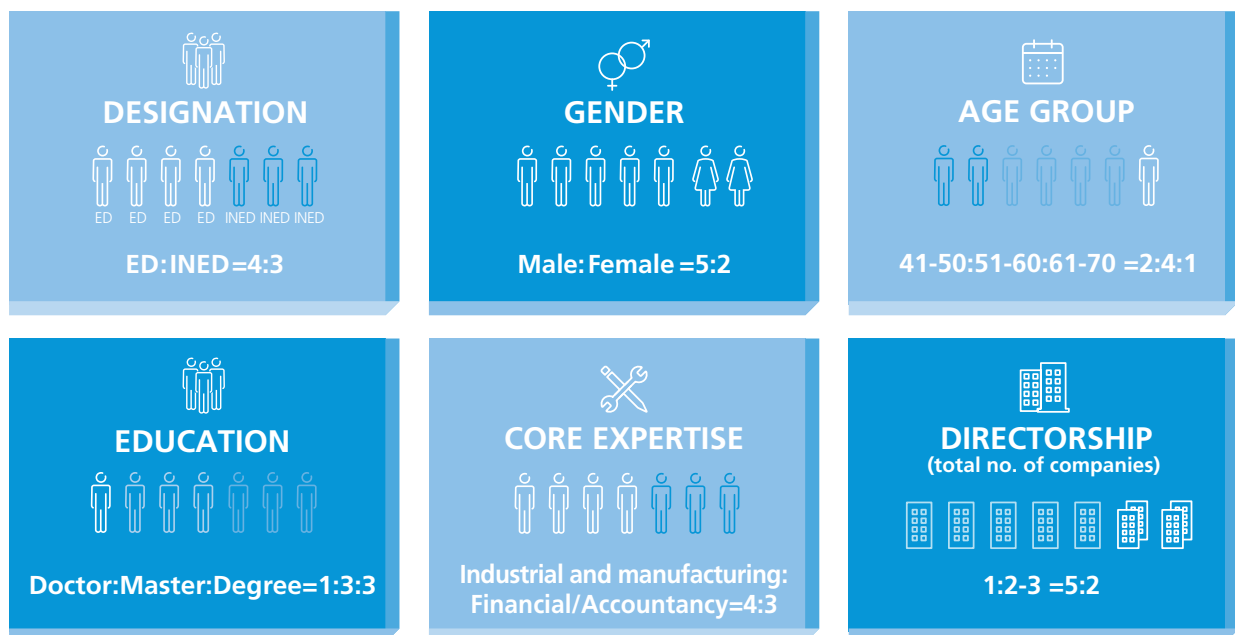
The Company has received from all independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Board Diversity

The Company has reviewed board diversity policy during the year ended 31 December 2025. 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 2025 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

BOARD OF DIRECTORS (Continued)

As at 31 December 2025, the Group had a total of 8,271 staff, comprising 5,999 male staff and 2,272 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

- 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 2025, 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.

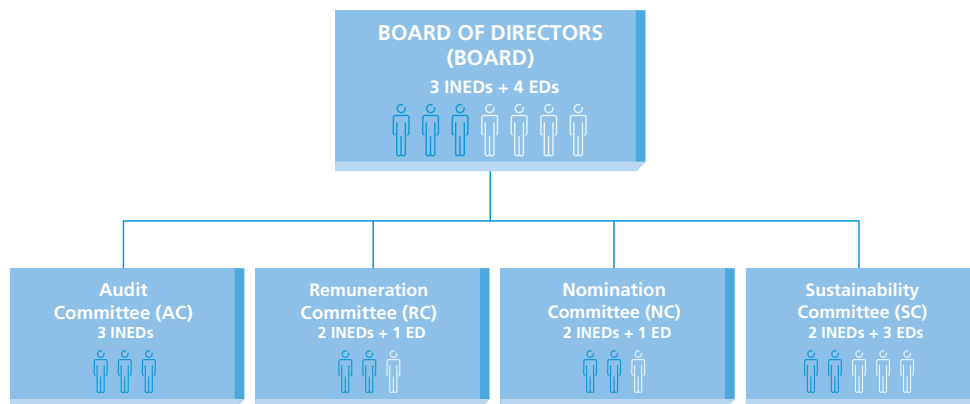
CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

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 2025:



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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE REPORT

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

- Mrs. CHOW Lok Mei Ki Cindy (Chairperson)
- 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 2025 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 2025 and the audited consolidated financial statements for the year ended 31 December 2025 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE REPORT (Continued)

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. LU Ruibo — executive Director, CEO and chairman of the Board
- Mrs. CHOW Lok Mei Ki Cindy — independent non-executive Director

The Remuneration Committee met one time during the year ended 31 December 2025 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 Remuneration Committee directs the management in the engagement of outside remuneration experts and stays abreast of remuneration practices among comparable companies around the world.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE REPORT (Continued)

During the year ended 31 December 2025, the Remuneration Committee discussed and agreed on:

- (a) 2024 key performance indicators bonus amounts of executive Directors and senior management; and
- (b) 2025 remuneration packages 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 (resigned with effect from 12 August 2025)
- Mrs. CHOW Lok Mei Ki Cindy — independent non-executive Director (appointed with effect from 12 August 2025)

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 2025, 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 2025, the Sustainability Committee held two meetings and all members attended the meeting, to (i) review, formulate and endorse sustainability standards, priorities and goals of the Group; (ii) review together with a third party consultant about the progress of ESG rating assessment, climate change scenario analysis and scope 3 greenhouse gas emission disclosure; and (iii) advise the Board on approving the 2024 ESG Report.

CORPORATE GOVERNANCE REPORT

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 2025 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 2025						
Executive Directors (note i):						
Mr. LU Ruibo (<i>Chairman & CEO</i>)	320	2,955	218	405	–	3,898
Mr. YU Yuepeng	320	1,308	936	121	–	2,685
Ms. ZHU Liwei	320	1,338	554	–	–	2,212
Mr. WANG Dong	320	1,311	805	121	–	2,557
Independent Non-executive Directors:						
Dr. YEN Gordon	320	–	–	–	–	320
Mr. LEE Siu Ming	320	–	–	–	–	320
Mrs. CHOW Lok Mei Ki Cindy	320	–	–	–	–	320
	<u>2,240</u>	<u>6,912</u>	<u>2,513</u>	<u>647</u>	<u>–</u>	<u>12,312</u>

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 2025, and there was no arrangement under which a shareholder of the Company waived or agreed to waive any dividends for the same period.

CORPORATE GOVERNANCE REPORT

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:

	2025 HK\$'000
Directors' fees	640
Salaries and allowances	11,696
Discretionary bonuses	3,122
Share-based payments	–
Retirement benefits schemes contributions	1,223
Total	16,681

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 2025, 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 2025.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT'S REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose profiles are set out on pages 59 to 61 of this annual report, for the year ended 31 December 2025 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 2025, 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, annual general meeting and extraordinary general meeting held for the year ended 31 December 2025 are set out in the table below:

Name of Directors	Extraordinary General Meeting	Annual General Meeting	Board ⁽¹⁾ Number of Meetings Attended/Held	Audit Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
Executive Directors (EDs)							
Mr. LU Ruibo	1/1	1/1	5/5		1/1	1/1*	
Mr. YU Yuepeng	1/1	1/1	5/5				2/2
Ms. ZHU Liwei	1/1	1/1	5/5				2/2
Mr. WANG Dong	1/1	1/1	5/5				2/2
Independent Non-executive Directors (INEDs)							
Dr. YEN Gordon	1/1	1/1	5/5	2/2		1/1	2/2*
Mr. LEE Siu Ming	1/1	1/1	5/5	2/2	1/1*		2/2
Mrs. CHOW Lok Mei Ki Cindy	1/1	1/1	5/5	2/2*	1/1	1/1	2/2
Approximate average duration per meeting (hour)	0.5	0.5	1.0	1.0	0.5	0.5	1.0

*: 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.

CORPORATE GOVERNANCE REPORT

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 2025, the total fee paid/payable in respect of services provided by KPMG were HK\$6.9 million (2024: HK\$8.0 million), comprising fees for audit services of HK\$5.8 million (2024: HK\$5.6 million) and for non-audit services (tax compliance) of HK\$1.1 million (2024: HK\$2.4 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 2025 is set out in the Independent Auditor's Report on pages 77 to 84 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

INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT (Continued)

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 2025, 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

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 recognizes 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 2025.

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 2025.

DIRECTORS AND SENIOR MANAGEMENT

OUR EXECUTIVE DIRECTORS

Mr. LU Ruibo (陸瑞博), previously known as LU Jianqiu (陸建秋), aged 62, is an executive Director, the Chairman of our Board and our Chief Executive Officer. Mr. LU also currently serves as directors in subsidiaries of the Company, including Impro Holdings Limited, Impro International Limited, Impro Investment (Hong Kong) Limited, Impro Aerotek International Limited, Impro Fluidtek International Limited, Impro Industries Mexico, S. DE R.L. DE C.V., Impro Aerospace México, S. de R.L. de C.V. and Cengiz Makina Sanayi ve Ticaret A.S.. 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. Over the past three years, Mr. LU has not acted as a director in other listed companies.

Mr. YU Yuepeng (余躍鵬), aged 55, 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 also currently serves as a director of Impro (China) Limited. 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

OUR EXECUTIVE DIRECTORS (Continued)

Ms. ZHU Liwei (朱力微), aged 57, is an executive Director and Co-CEO of the Group's Aerotek Business Unit leading the operations of Plant 3, Plant 4 and Plant 8 in the China region and the Impro Aerotek Business Unit. Ms. ZHU also currently serves as a director of Impro Aerotek Limited. 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 50, is our executive Director and is responsible for the operations and sales support of Plant 2. Mr. WANG also currently serves as a director of Wuxi Impro-Bees Precision Hydraulics Co., Ltd. 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 Impro 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 56, 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 50, 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

OUR INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mrs. CHOW Lok Mei Ki Cindy (周駱美琪), aged 55, 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 and Nomination 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; (iv) a member of the Innovation and Technology Advisory Committee of the Hong Kong Trade Development Council from April 2021 to March 2025; and (v) a member of The Committee on Self-financing Post-secondary Education of the HKSAR Government from November 2023 to October 2025. In addition, she has been (i) a member of the Advisory Committee on Accounting of The Hong Kong University of Science and Technology since January 2019; (ii) a member of The Standing Committee on Language Education and Research of the HKSAR Government since July 2021; (iii) a director of SEED Foundation Limited since November 2021; (iv) a member of Occupational Safety & Health Council since August 2022; (v) a board member of CUHK Innovation Limited since May 2023; (vi) an advisor of Our Hong Kong Foundation since April 2020; (vii) a non-executive director of Hong Kong Venture Capital and Private Equity Association since August 2024; and (viii) 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.

DIRECTORS AND SENIOR MANAGEMENT

OUR SENIOR MANAGEMENT

Mr. IP Wui Wing Dennis (葉匯榮), aged 49, 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, Impro Aerotek 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.

Mr. SUN Xiaohao (孫嘯昊), aged 49, was appointed as our Group's Vice President on January 2018 responsible for managing the Strategy Research 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. In addition, Mr. SUN is responsible for the business development and operations of the precision machining plant in Mexico. Mr. SUN currently serves as the executive director of Impro Fluidtek, the director of Impro Industries Mexico 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.

DIRECTORS AND SENIOR MANAGEMENT

OUR SENIOR MANAGEMENT (Continued)

Mr. ZHUANG Xulei (莊緒雷), aged 51, 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 is responsible for the operation of the Group's Aerotek Business Unit. 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. WANG Haozhan (王好戰), aged 46, is our Group's Vice President managing Plant 1, 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. In addition, Mr. WANG is responsible for the operation of the Group's Future Business Unit. Mr. WANG currently also serves as 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.

DIRECTORS AND SENIOR MANAGEMENT

OUR SENIOR MANAGEMENT (Continued)

Mr. CHEN Kailiang (譔開良), aged 45, 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 49, 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 2025.

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 2025 are provided in the Chairman's Statement and Management Discussion and Analysis sections respectively from pages 17 to 23 and pages 24 to 33 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 85 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 10 September 2025.

The Board declared the second interim dividend of 8.0 HK cents per share for the year ended 31 December 2025, with a total amount of approximately HK\$151.0 million, which is expected to be paid on Thursday, 9 April 2026.

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 of the Company will be held on Tuesday, 26 May 2026. 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 Wednesday, 20 May 2026 to Tuesday, 26 May 2026, 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 Tuesday, 19 May 2026.

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 183 to 184.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2025 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 2025 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 2025, the distributable reserves of the Company available for distribution as dividends amounted to HK\$1,527.4 million (2024: HK\$1,527.7 million).

DONATIONS

During the year ended 31 December 2025, the Group made donations of HK\$0.6 million (2024: 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 of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2025.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2025, 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 12.5% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 42.4% 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 recognizes 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 2025 and up to the date of this report, the Directors of the Company were:

Executive Directors

Mr. LU Ruibo (*Chairman and Chief Executive Officer*)
Mr. YU Yuepeng
Ms. ZHU Liwei
Mr. WANG Dong

Independent Non-Executive Directors

Dr. YEN Gordon
Mr. LEE Siu Ming
Mrs. CHOW Lok Mei Ki Cindy

In accordance with Article 83 and 84 of the Articles of Association, Mr. LU Ruibo, Mr. WANG Dong and Mr. LEE Siu Ming shall retire at the Annual General Meeting and being eligible, offer themselves 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 55 to 61.

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 2025.

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 2025.

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.

REPORT OF THE DIRECTORS

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and executive Directors (collectively, the “**Covenantors**”) has entered into the Deed of Non-Competition in favor 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 2025, 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 2025.

REPORT OF THE DIRECTORS

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 2025. During the year ended 31 December 2025, 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 2025 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 2025, 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:

REPORT OF THE DIRECTORS

THE COMPANY AND ASSOCIATED CORPORATION

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

<u>Name of Directors</u>	<u>Nature of interest/capacity</u>	<u>Number of Shares or underlying Shares</u>	<u>Percentage of the Company's issued share capital⁽²⁾</u>
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

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
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 2025.

REPORT OF THE DIRECTORS

THE COMPANY AND ASSOCIATED CORPORATION (Continued)

Save as disclosed above, as at 31 December 2025, 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 2025, 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:

<u>Name of substantial shareholders</u>	<u>Nature of interest/capacity</u>	<u>Number of Shares held</u>	<u>Percentage of the Company's issued share capital⁽¹⁾</u>
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

Note:

(1) The percentages were calculated based on the total number of 1,887,285,665 issued Shares as at 31 December 2025.

REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 December 2025, 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 a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a post-IPO share option scheme (the "**Previous 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. At the beginning of the Reporting Period, there were no more options outstanding under the Pre-IPO Share Option Scheme, and no share options have been granted since the adoption of the Previous Post-IPO Share Option Scheme.

On 30 December 2025, the Previous Post-IPO Share Option Scheme was terminated and a new share option scheme (the "**New Share Option Scheme**") was adopted by shareholders' resolution at the extraordinary general meeting. The principal terms of the New Share Option Scheme are set out below:

1. Purpose

The purposes of the New Share Option Scheme are to enable the Company to grant Options to the eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group and/or to enable the Group to attract and retain the best quality personnel for the development of the Group's businesses.

2. Participants and Eligibility

Eligible participants of the New Share Option Scheme include employee participants only. The basis of determining the eligibility of each eligible participant shall be determined by the Board absolutely. With respect to employee participants, the assessing factors shall include, but not limited to, individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of employment with the Group and the individual contribution or potential contribution to the development and growth of the Group.

3. Scheme Mandate Limited

The total number of Shares which may be issued in respect of all options and awards to be granted under the New Share Option Scheme and any other schemes of the Company shall be 188,728,566, being 10% of the total issued shares as at the date of adoption of the New Share Option Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

4. Maximum Entitlement for Each Participant

Where any grant of Options to an eligible participant would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible participant and his Close Associates (or associates if such eligible participant is a connected person) abstaining from voting.

5. Vesting Period

The vesting period of options granted under the New Share Option Scheme shall not be less than 12 months. Notwithstanding the foregoing, a shorter vesting period may be granted to employee participants under specific circumstances under Rule 17.03F of the Listing Rules.

6. Amount Payable on Acceptable of the Option

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days from the grant date provided that no such grant of an option may be accepted after the expiry of the effective period of the New Share Option Scheme or after the New Share Option Scheme has been terminated. An option shall be deemed to have been granted and accepted by the eligible participant and to have taken effect when the duplicate grant letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the grant thereof is received by the Company on or before the acceptance date. Such remittance shall in no circumstances be refundable.

7. Exercise Price

Subject to the provisions of the Listing Rules, the exercise price in respect of any particular option under the New Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the grant letter) but in any event the exercise price shall not be less than whichever is the highest of: (a) the nominal value (if any) of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

8. Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the New Share Option Scheme, i.e. 30 December 2025, after which no further Options may be issued or granted.

Since the adoption of the New Share Option Scheme, no option has been granted under the New Share Option Scheme. Therefore, no option was exercised or canceled or has lapsed during the year ended 31 December 2025 and there was no outstanding option as at 31 December 2025.

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 38 to 54.

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, 10 March 2026

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 (<i>Gesellschaft mit beschränkter Haftung</i>) 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

GLOSSARY

“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
“Impro Impeller” or “Plant 9”	Impro 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)
“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)



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OPINION

We have audited the consolidated financial statements of Impro Precision Industries Limited (“**the Company**”) and its subsidiaries (“**the Group**”) set out on pages 85 to 182 which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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**”) as 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**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with 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.

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

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Assessing potential goodwill impairment	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies on page 104.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the carrying amount of goodwill, which arose from acquisition of the hydraulic orbital motor business in 2022, was HK\$228 million, representing 2% of the Group's total assets.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the potential impairment of goodwill included the following:</p> <ul style="list-style-type: none"> 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;

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

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Assessing potential goodwill impairment	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies on page 104.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>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.</p>	<ul style="list-style-type: none"> 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.

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

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Expected credit loss allowances for trade receivables	
<i>Refer to Note 19 to the consolidated financial statements and the accounting policies on pages 101 to 103.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the Group had trade receivables with a total gross carrying amount of HK\$1,236 million, net of loss allowances for expected credit losses (“ECLs”) of HK\$11 million.</p> <p>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 aging of trade receivable balances, the repayment history of the Group’s customers and etc.</p> <p>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.</p>	<p>Our audit procedures to assess the loss allowance for trade receivables included the following:</p> <ul style="list-style-type: none"> 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 aging 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 2025 based on the Group’s credit loss allowance policies and method.

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

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Valuation of Inventory	
<i>Refer to Note 18 to the consolidated financial statements and the accounting policies on page 105.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>At 31 December 2025, the Group's gross inventories totalled HK\$1,164 million, against which provisions for inventories of HK\$87 million were recorded.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the valuation of inventory included the following:</p> <ul style="list-style-type: none"> 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 aging report by comparing with production records, on a sample basis; evaluating the Group's inventory provision policy by assessing management's prediction of net realizable 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.

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

(Incorporated in the Cayman Islands with limited liability)

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 IFRS Accounting Standards as 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.

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

(Incorporated in the Cayman Islands with limited liability)

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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism 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.

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

(Incorporated in the Cayman Islands with limited liability)

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 consolidated 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 (practising certificate number: P06379).

KPMG

Certified Public Accountants

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

10 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	4	5,095,490	4,686,795
Cost of sales		(3,695,375)	(3,417,651)
Gross profit		1,400,115	1,269,144
Other revenue	5(a)	31,498	33,189
Other net income	5(b)	12,071	125,481
Selling and distribution expenses		(189,668)	(177,021)
Administrative and other operating expenses		(359,590)	(362,630)
Profit from operations		894,426	888,163
Net finance costs	6(a)	(78,776)	(102,261)
Profit before taxation	6	815,650	785,902
Income tax	7	(87,566)	(140,098)
Profit for the year		728,084	645,804
Attributable to:			
Equity shareholders of the Company		726,181	644,304
Non-controlling interest		1,903	1,500
Profit for the year		728,084	645,804
Earnings per share	11		
Basic (HK cents)		38.5	34.1
Diluted (HK cents)		38.5	34.1

The notes on pages 92 to 182 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).

Independent Auditor's Report

Consolidated Statement of Profit or Loss

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Financial Position

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Profit for the year		728,084	645,804
Other comprehensive income for the year (after tax adjustments)	10		
<i>Items that will not be reclassified to profit or loss:</i>			
Effect of remeasurement of defined benefit plan obligations (net of tax of HK\$97,000 (2024: HK\$2,750,000))	29(a)	3,841	(2,161)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong Dollars ("HK\$")		455,715	(499,855)
Other comprehensive income for the year		459,556	(502,016)
Total comprehensive income for the year		1,187,640	143,788
Attributable to:			
Equity shareholders of the Company		1,185,370	142,604
Non-controlling interest		2,270	1,184
Total comprehensive income for the year		1,187,640	143,788

The notes on pages 92 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	12	5,236,218	4,322,632
Prepayments for purchase of property, plant and equipment		18,562	75,765
Intangible assets	13	168,674	184,223
Goodwill	14	228,279	222,654
Deferred expenses	15	163,008	158,960
Other financial asset	17	1,559	1,521
Deferred tax assets	27(b)	141,413	83,880
		5,957,713	5,049,635
Current assets			
Inventories	18	1,077,757	1,052,233
Trade and bills receivables	19	1,337,615	1,120,602
Prepayments, deposits and other receivables	20	286,803	338,222
Taxation recoverable	27(a)	8,936	9,387
Cash and cash equivalents	21(a)	720,944	601,747
		3,432,055	3,122,191
Current liabilities			
Bank loans	22	1,061,138	919,234
Lease liabilities	23	4,395	3,778
Trade payables	24	644,799	588,573
Other payables and accruals	25	408,933	378,058
Taxation payable	27(a)	20,519	24,430
		2,139,784	1,914,073
Net current assets		1,292,271	1,208,118
Total assets less current liabilities		7,249,984	6,257,753

The notes on pages 92 to 182 form part of these financial statements.

Independent Auditor's Report

Consolidated Statement of Profit or Loss

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Bank loans	22	1,359,451	1,265,648
Lease liabilities	23	5,780	7,457
Deferred income	28	139,714	129,208
Defined benefit plan obligations	29(a)	58,796	62,642
Deferred tax liabilities	27(b)	63,063	49,884
		<u>1,626,804</u>	<u>1,514,839</u>
NET ASSETS			
		<u>5,623,180</u>	<u>4,742,914</u>
CAPITAL AND RESERVES			
Share capital	30(c)	188,729	188,729
Reserves		5,416,072	4,532,668
Total equity attributable to equity shareholders of the Company			
		<u>5,604,801</u>	<u>4,721,397</u>
Non-controlling interest			
		<u>18,379</u>	<u>21,517</u>
TOTAL EQUITY			
		<u>5,623,180</u>	<u>4,742,914</u>

Approved and authorized for issue by the board of directors on 10 March 2026.

)	
Lu Ruibo)	
)	
)	Directors
)	
Wang Dong)	
)	
)	

The notes on pages 92 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company											
	Note	Share	Share	Capital	Statutory	Exchange	Fair value	Retained	Total	Non-	Total
		capital	premium	reserve	surplus	reserve	reserve	(non-	profits	controlling	equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	recycling)	HK\$'000	HK\$'000	HK\$'000	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 92 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
		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-controlling interest HK\$'000	Total equity HK\$'000	
							(non-recycling) HK\$'000	Retained profits HK\$'000			Total HK\$'000
	Note										
Balance at 1 January 2025		188,729	1,443,764	1,110	318,530	(515,901)	(571)	3,285,736	4,721,397	21,517	4,742,914
Changes in equity for 2025											
Profit for the year		-	-	-	-	-	-	726,181	726,181	1,903	728,084
Other comprehensive income	10	-	-	-	-	455,348	-	3,841	459,189	367	459,556
Total comprehensive income		-	-	-	-	455,348	-	730,022	1,185,370	2,270	1,187,640
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)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(5,408)	(5,408)
Appropriation of reserve	30(d)(iii)	-	-	-	41,811	-	-	(41,811)	-	-	-
Balance at 31 December 2025		188,729	1,443,764	1,110	360,341	(60,553)	(571)	3,671,981	5,604,801	18,379	5,623,180

The notes on pages 92 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Cash generated from operations	21(b)	1,387,028	1,258,951
Tax paid		(128,307)	(112,783)
Net cash generated from operating activities		1,258,721	1,146,168
Investing activities			
Payment for the acquisition of property, plant and equipment		(904,272)	(611,950)
Proceeds from disposal of property, plant and equipment		3,363	1,670
Payment for deferred expenses		(87,472)	(88,158)
Interest received		11,271	8,434
Net cash used in investing activities		(977,110)	(690,004)
Financing activities			
Proceeds from bank loans	21(c)	1,601,753	1,529,452
Repayment of bank loans	21(c)	(1,385,341)	(1,578,722)
Interest paid	21(c)	(89,530)	(110,130)
Capital element of lease rentals paid	21(c)	(4,466)	(5,241)
Interest element of lease rentals paid	21(c)	(517)	(565)
Dividends paid to equity shareholders of the Company	30(b)	(301,966)	(301,966)
Dividends paid to non-controlling interest		(5,408)	–
Net cash used in financing activities		(185,475)	(467,172)
Net increase/(decrease) in cash and cash equivalents		96,136	(11,008)
Cash and cash equivalents at 1 January		601,747	630,850
Effect of foreign exchange rate changes		23,061	(18,095)
Cash and cash equivalents at 31 December	21(a)	720,944	601,747

The notes on pages 92 to 182 form part of these financial statements.

Consolidated Statement of
Changes in Equity

Consolidated Cash
Flow Statement

Notes to the Financial
Statements

Financial Summary

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 IFRS Accounting Standards which collective term includes all applicable individual International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“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 new or amended IFRS Accounting Standards 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 2025 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

The preparation of financial statements in conformity with IFRS Accounting Standards 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 IFRS Accounting Standards 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 Group has applied the amendments to IAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 over the unexpired term of leases
Leasehold land	20 to 50 years
Properties held for own use	3 to 15 years
Machinery	4 to 10 years
Furniture, fixtures and equipment	4 to 10 years
Motor vehicles	4 to 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 to 15 years
Patents and know-how	8 to 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 inventories 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 recognizes 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 Organization for Economic Co-operation and Development.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 fulfillment 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Investment casting	1,909,999	1,804,779
Precision machining and others	1,619,758	1,720,250
Sand casting	1,487,452	1,101,270
Surface treatment	78,281	60,496
	5,095,490	4,686,795

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 two (2024: three) customers with whom transactions have exceeded 10% of the Group's revenues. In 2025, revenues from sales of investment casting, precision machining and others and sand casting products to these two (2024: three) customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately HK\$1,239,655,000 (2024: HK\$1,645,239,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 mold 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 intersegment sales, assistance provided by one segment to another, including sharing of technical know-how, is not measured.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 Intersegment sales) generated by the segments in their operations. Intersegment 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 2025 and 2024 is set out below:

	Year ended 31 December 2025				
	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	1,909,999	1,619,758	1,487,452	78,281	5,095,490
Intersegment revenue	–	–	–	36,073	36,073
Reportable segment revenue	1,909,999	1,619,758	1,487,452	114,354	5,131,563
Gross profit from external customers	645,484	275,414	464,373	14,844	1,400,115
Intersegment gross profit	–	–	–	10,921	10,921
Reportable segment gross profit	645,484	275,414	464,373	25,765	1,411,036
Depreciation and amortization	181,004	176,030	131,733	29,936	518,703
Reportable segment profit	647,673	261,338	451,431	46,730	1,407,172
Reportable segment assets	3,059,667	2,340,999	2,608,623	527,177	8,536,466

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results and assets (Continued)

	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
Intersegment revenue	–	–	–	32,171	32,171
Reportable segment revenue	<u>1,804,779</u>	<u>1,720,250</u>	<u>1,101,270</u>	<u>92,667</u>	<u>4,718,966</u>
Gross profit from external customers	625,041	326,835	315,509	1,759	1,269,144
Intersegment gross profit	–	–	–	9,437	9,437
Reportable segment gross profit	<u>625,041</u>	<u>326,835</u>	<u>315,509</u>	<u>11,196</u>	<u>1,278,581</u>
Depreciation and amortization	<u>183,089</u>	<u>173,908</u>	<u>122,000</u>	<u>23,739</u>	<u>502,736</u>
Reportable segment profit	<u>629,897</u>	<u>290,229</u>	<u>318,798</u>	<u>26,061</u>	<u>1,264,985</u>
Reportable segment assets	<u>2,870,304</u>	<u>2,377,091</u>	<u>1,809,540</u>	<u>428,687</u>	<u>7,485,622</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Revenue		
Reportable segment revenue	5,131,563	4,718,966
Elimination of intersegment revenue	(36,073)	(32,171)
Consolidated revenue	5,095,490	4,686,795
Gross profit		
Reportable segment gross profit	1,411,036	1,278,581
Elimination of intersegment gross profit	(10,921)	(9,437)
Consolidated gross profit	1,400,115	1,269,144
Profit		
Reportable segment profit	1,407,172	1,264,985
Elimination of intersegment profit	(10,921)	(9,437)
Reportable segment profit derived from the Group's external customers	1,396,251	1,255,548
Other revenue	31,498	33,189
Other net income	12,071	125,481
Unallocated head office and corporate expenses	(26,691)	(23,319)
Consolidated profit before interest, taxes, depreciation and amortization	1,413,129	1,390,899
Net finance costs	(78,776)	(102,261)
Depreciation and amortization	(518,703)	(502,736)
Consolidated profit before taxation	815,650	785,902

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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Assets		
Reportable segment assets	8,536,466	7,485,622
Elimination of intersegment receivables	(22,643)	(8,048)
	8,513,823	7,477,574
Other financial asset	1,559	1,521
Deferred tax assets	141,413	83,880
Cash and cash equivalents	720,944	601,747
Unallocated head office and corporate assets	12,029	7,104
Consolidated total assets	9,389,768	8,171,826

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographical information (Continued)

Revenue from external customers

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Americas		
— United States of America ("United States")	2,080,851	2,082,275
— Others	348,270	246,192
Europe	1,451,168	1,421,584
Asia		
— The People's Republic of China ("PRC")	1,095,418	817,953
— Others	119,783	118,791
	5,095,490	4,686,795

Specified non-current assets

	As at 31 December	
	2025 HK\$'000	2024 HK\$'000
United States	6,124	7,893
Europe	424,096	408,873
The PRC	2,926,402	2,914,359
Mexico	2,459,678	1,634,630
	5,816,300	4,965,755

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Rental income	878	749
Government grants (Note)	26,477	27,031
Others	4,143	5,409
	31,498	33,189

Note:

During the year ended 31 December 2025, the Group received unconditional government subsidies of HK\$16,230,000 (2024: HK\$14,638,000) as encouragement of their contribution in technology development, environment protection and contribution in local economy.

During the year ended 31 December 2025, the Group received conditional government subsidies of HK\$17,394,000 (2024: HK\$9,181,000) as subsidies for acquisition of property, plant, equipment and leasehold land. During the year ended 31 December 2025, the Group recognized such subsidies of HK\$10,247,000 (2024: HK\$12,393,000) 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	
	2025 HK\$'000	2024 HK\$'000
Net exchange (loss)/gain	(1,854)	45,786
Net loss on disposal of property, plant and equipment	(2,705)	(379)
Insurance claims (Note)	-	72,298
Others	16,630	7,776
	12,071	125,481

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Interest income	(11,271)	(8,434)
Interest expenses on bank loans	89,530	110,130
Interest expenses on lease liabilities	517	565
	90,047	110,695
Net finance costs	78,776	102,261

(b) Staff costs

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Salaries, wages and other benefits	1,257,604	1,206,283
Contributions to defined contribution retirement plans	93,635	90,239
Expenses recognized in respect of defined benefit plan obligations (Note 29(a))	11,525	12,885
Equity settled share-based payment expenses (Note 26)	–	136
	1,362,764	1,309,543

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Cost of inventories recognized as expenses*	3,695,375	3,417,651
Depreciation charges		
— owned property, plant and equipment	403,037	379,965
— right-of-use assets	8,289	9,704
Amortization of intangible assets	19,937	26,265
Amortization of deferred expenses	87,440	86,802
Research and development expenses	162,361	174,555
Provision for impairment loss on trade receivables	271	4,940
Reversal of write-down of inventories	(689)	(25,677)
Auditors' remuneration		
— Audit services	5,754	5,557
— Non-audit services	1,114	2,447

* 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Current tax		
<i>Chinese Mainland Corporate Income Tax</i>		
Provision for the year	60,107	77,003
Bonus deduction of research and development expenses	(12,511)	(26,203)
Under/(over)-provision in respect of prior years	16,122	(1,306)
	63,718	49,494
<i>Hong Kong Profits Tax</i>		
Provision for the year	21,011	23,313
Over-provision in respect of prior years	(866)	(323)
	20,145	22,990
<i>Tax jurisdictions outside Chinese Mainland and Hong Kong</i>		
Provision for the year	30,610	31,412
	114,473	103,896
Deferred tax		
Origination and reversal of temporary differences (Note 27(b))	(26,907)	36,202
Total income tax expense	87,566	140,098

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 2025 and 2024. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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, Impro Impeller (Yixing) Co., Ltd. and Impro Fluidtek (Zhenjiang) Limited obtained the qualification as a high-tech enterprise 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 Industries (Yixing) Co., Ltd., Impro Aerotek (Nantong) Limited and Impro Industrial (Taizhou) Co., Ltd. renewed the qualification in 2025 and was entitled to a preferential income tax of 15% from 2025 to 2027.

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%.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025 and 2024.
- (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 2025 and 2024. Impro Germany GmbH was liable to the German Corporate Tax at a rate of 32.6% for the years ended 31 December 2025 and 2024.
- (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 23.9% and 24.9% during the years ended 31 December 2025 and 2024, respectively, comprising federal income tax at a rate of 16% and 17% and local municipal business tax at a rate of 7.9% and 7.9% during the years ended 31 December 2025 and 2024, respectively.
- (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% during the years ended 31 December 2025 and 2024.
- (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 2025 and 2024.

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 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Profit before taxation	815,650	785,902
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	203,369	177,316
Tax effect of non-deductible expenses	5,043	5,639
Tax effect of non-taxable income	(503)	(1,759)
Tax effect of tax losses not recognized	13,644	15,298
Tax effect of tax losses arising from intragroup reorganization	(62,472)	–
Tax effect of previously unrecognized tax losses and temporary differences now recognized	(2,454)	(293)
Tax effect of previously recognized tax losses and temporary differences now derecognized	–	30,054
Tax effect of temporary differences arising from inflation in Mexico	(16,249)	(8,630)
Tax effect of temporary differences arising from differentiated functional and tax filing currency	(6,505)	(4,497)
Provision of withholding tax on undistributed profits	19,198	7,323
Effect of PRC tax concessions obtained	(68,250)	(52,521)
PRC bonus deduction of research and development expenses	(12,511)	(26,203)
Under/(over)-provision in respect of prior years	15,256	(1,629)
Actual tax expense	87,566	140,098

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025						
	Directors' fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme	Sub-Total	Share-based payments	Total
		in kind		contributions		(Note)	
		HK\$'000		HK\$'000		HK\$'000	
Executive directors							
Lu Ruibo	320	2,955	218	405	3,898	-	3,898
Yu Yuepeng	320	1,308	936	121	2,685	-	2,685
Zhu Liwei	320	1,338	554	-	2,212	-	2,212
Wang Dong	320	1,311	805	121	2,557	-	2,557
Independent non-executive directors							
Yen Gordon	320	-	-	-	320	-	320
Lee Siu Ming	320	-	-	-	320	-	320
Chow Lok Mei Ki Cindy	320	-	-	-	320	-	320
Total	2,240	6,912	2,513	647	12,312	-	12,312

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION (Continued)

	Year ended 31 December 2024						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2024: two) directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the paid amount to the other three (2024: three) individuals of the Group are as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and benefits in kind	7,433	7,458
Discretionary bonuses	1,968	1,935
Share-based payments	–	9
Retirement scheme contributions	697	635
	10,098	10,037

The emoluments of the three (2024: three) individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2025 Number of individuals	2024 Number of individuals
HK\$3,000,001 to HK\$3,500,000	2	2
HK\$3,500,001 to HK\$4,000,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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
<hr/>			
For the year ended 31 December 2025			
Before-tax amount	3,744	455,715	459,459
Tax benefit	97	–	97
	<hr/>	<hr/>	<hr/>
Net-of-tax amount	3,841	455,715	459,556
<hr/>			
For the year ended 31 December 2024			
Before-tax amount	(4,911)	(499,855)	(504,766)
Tax benefit	2,750	–	2,750
	<hr/>	<hr/>	<hr/>
Net-of-tax amount	(2,161)	(499,855)	(502,016)
<hr/>			

NOTES TO THE FINANCIAL STATEMENTS

(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\$726,181,000 (2024: HK\$644,304,000) and the weighted average of 1,887,285,665 ordinary shares (2024: 1,887,285,665 ordinary shares) in issue during the year.

(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\$726,181,000 (2024: HK\$644,304,000) and the weighted average number of ordinary shares of 1,887,285,665 shares (2024: 1,887,285,665 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 year ended 31 December 2024.

During the year ended 31 December 2025, diluted earnings per share was the same as the basic earnings per share as there were no dilutive potential ordinary shares issued.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land HK\$'000	Properties held for own use 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 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 and 1 January 2025	147,111	193,227	1,862,539	3,971,471	463,797	37,492	610,758	7,286,395
Additions	41	–	12,011	50,433	56,962	1,882	833,562	954,891
Transfers	–	–	96,889	307,844	1,672	642	(407,047)	–
Disposals	–	–	(1,017)	(28,365)	(10,736)	(2)	–	(40,120)
Exchange adjustment	18,868	4,936	115,306	276,458	13,678	2,973	99,468	531,687
At 31 December 2025	166,020	198,163	2,085,728	4,577,841	525,373	42,987	1,136,741	8,732,853
Accumulated depreciation and impairment:								
At 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 and 1 January 2025	–	34,953	419,285	2,128,646	357,942	22,937	–	2,963,763
Charge for the year	–	4,090	56,154	301,730	44,977	4,375	–	411,326
Written back on disposals	–	–	(302)	(23,994)	(9,754)	(2)	–	(34,052)
Exchange adjustment	–	940	16,090	125,418	11,636	1,514	–	155,598
At 31 December 2025	–	39,983	491,227	2,531,800	404,801	28,824	–	3,496,635
Net book value:								
At 31 December 2025	166,020	158,180	1,594,501	2,046,041	120,572	14,163	1,136,741	5,236,218
At 31 December 2024	147,111	158,274	1,443,254	1,842,825	105,855	14,555	610,758	4,322,632

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Leasehold land, carried at depreciated cost in the PRC, with remaining lease term of between 10 and 50 years	158,180	158,274
Properties held for own use, carried at depreciated cost	9,204	9,911
Furniture, fixtures and equipment, carried at depreciated cost	344	460
	167,728	168,645

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

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land	4,090	4,104
Properties held for own use	4,031	5,439
Furniture, fixtures and equipment	168	161
	8,289	9,704
Interest on lease liabilities (Note 6(a))	517	565
Expense relating to short-term leases	2,075	2,123
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	52	90

During the year ended 31 December 2025, additions to right-of-use assets were HK\$3,250,000 (2024: HK\$1,908,000), 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTANGIBLE ASSETS

	Customer relationships HK\$'000	Patents and know-how HK\$'000	Total HK\$'000
Cost:			
At 1 January 2024	229,490	116,420	345,910
Exchange adjustment	(9,158)	(2,491)	(11,649)
At 31 December 2024 and 1 January 2025	220,332	113,929	334,261
Exchange adjustment	14,832	2,878	17,710
At 31 December 2025	235,164	116,807	351,971
Accumulated amortization and impairment:			
At 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 and 1 January 2025	113,654	36,384	150,038
Charge for the year	8,410	11,527	19,937
Exchange adjustment	12,249	1,073	13,322
At 31 December 2025	134,313	48,984	183,297
Net book value:			
At 31 December 2025	100,851	67,823	168,674
At 31 December 2024	106,678	77,545	184,223

Intangible assets represent customer relationships 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 Imposs 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 2025 and 2024 is included in "cost of sales" and "administrative and other operating expenses" in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL

	HK\$'000
Cost:	
At 1 January 2024	227,522
Exchange adjustment	(4,868)
At 31 December 2024 and 1 January 2025	222,654
Exchange adjustment	5,625
At 31 December 2025	228,279
Accumulated impairment losses:	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	—
Carrying amount:	
At 31 December 2025	228,279
At 31 December 2024	222,654

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	
	2025 HK\$'000	2024 HK\$'000
Hydraulic orbital motor business	228,279	222,654

NOTES TO THE FINANCIAL STATEMENTS

(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:

	2025	2024
Annual revenue growth rate during the forecast period	13.8%	17.4%
Operating profit margin	13.0%	11.5%
Growth rate beyond the forecast period	2.0%	2.0%
Pre-tax discount rate	13.8%	14.0%

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 2025 by approximately HK\$48,851,000 (2024: HK\$17,392,000).

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)

	2025	2024
Hydraulic orbital motor business		
Increase in discount rate	+1.4%	+0.7%
Decrease in annual revenue growth rate during the forecast period	-2.4%	-0.9%
Decrease in operating profit margin	-2.0%	-0.7%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 DEFERRED EXPENSES

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Cost:		
At the beginning of the year	583,985	584,397
Additions	87,472	88,158
Disposals	(73,326)	(75,919)
Exchange adjustment	14,900	(12,651)
At the end of the year	613,031	583,985
Accumulated amortization:		
At the beginning of the year	425,025	423,326
Charge for the year	87,440	86,802
Disposals	(73,326)	(75,919)
Exchange adjustment	10,884	(9,184)
At the end of the year	450,023	425,025
Net book value:		
At the end of the year	163,008	158,960
At the beginning of the year	158,960	161,071

The amortization charges for the years ended 31 December 2025 and 2024 were included in "cost of sales" in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(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		Principal activities
			Directly	Indirectly	
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	–	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\$68,800,000	–	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

NOTES TO THE FINANCIAL STATEMENTS

(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		Principal activities
			Directly	Indirectly	
Impro Impeller (Yixing) Co., Ltd. (鷹普羅斯葉輪(宜興)有限公司)	The PRC — Sino-foreign 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\$100,000,000	–	100%	Investment holding and trading of fluid components
Impro Industries USA, Inc.	United States	US\$500,000	–	100%	Managing logistic center, 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 center, 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") 4,944,454,206 (2024: MXN 3,814,222,319)	–	100%	Manufacturing investing casting, sand casting and precision machining products
Impro Aerospace Mexico, S. de R.L. de C.V.	Mexico	MXN963,700,085 (2024: MXN722,415,796)	–	100%	Manufacturing aerospace end-market and providing surface treatment, including plating, anodizing, painting and coating products
Impro Aerotek International Limited	Hong Kong	US\$29,707,404 (2024: 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 center, warehouses, sales and customer services offices for aerospace and medical components

NOTES TO THE FINANCIAL STATEMENTS

(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		Principal activities
			Directly	Indirectly	
Impro Aerotek Europe SARL	Luxembourg	EUR100,000	–	100%	Logistics center, 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\$11,705,022 (2024: US\$3,000,000)	–	100%	Investment holding and trading of fluid components
Impro Fluidtek Europe SARL	Luxembourg	EUR50,000	–	100%	Logistics center, 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 center, warehouses, sales and customer services offices for fluid components

17 OTHER FINANCIAL ASSET

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Equity securities at FVOCI (non-recycling)		
— Unlisted equity securities	1,559	1,521

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 2025 and 2024.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVENTORIES

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

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Raw materials	250,745	209,460
Work in progress	436,074	414,174
Finished goods	477,501	511,700
	1,164,320	1,135,334
Write down of inventories	(86,563)	(83,101)
	1,077,757	1,052,233

(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	
	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	3,696,064	3,443,328
Reversal of write-down of inventories	(689)	(25,677)
	3,695,375	3,417,651

All inventories are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

19 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Trade receivables	1,235,746	1,062,905
Bills receivable	113,178	70,180
	1,348,924	1,133,085
Less: loss allowance	(11,309)	(12,483)
	1,337,615	1,120,602

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	
	2025 HK\$'000	2024 HK\$'000
Within 1 month	610,192	507,337
1 to 3 months	605,472	478,504
Over 3 months but within 12 months	121,951	134,761
	1,337,615	1,120,602

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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Prepayments	61,165	77,176
Value added tax recoverable	169,779	175,817
Other deposits and receivables	55,859	85,229
	286,803	338,222

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Cash at bank	720,785	601,562
Cash in hand	159	185
	720,944	601,747

As at 31 December 2025, cash and cash equivalents situated in Chinese Mainland amounted to HK\$415,679,000 (2024: 446,668,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS (Continued)

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

	Note	Year ended 31 December	
		2025 HK\$'000	2024 HK\$'000
Profit before taxation		815,650	785,902
Adjustments for:			
— Depreciation of property, plant and equipment	6(c)	411,326	389,669
— Amortization of intangible assets	6(c)	19,937	26,265
— Amortization of deferred expenses	6(c)	87,440	86,802
— Net finance costs	6(a)	78,776	102,261
— Net loss on disposal of property, plant and equipment	5(b)	2,705	379
— Provision for impairment loss on trade receivables	6(c)	271	4,940
— Reversal of write-down of inventories	6(c)	(689)	(25,677)
— Equity settled share-based payment expenses	6(b)	—	136
Operating profit before changes in working capital		1,415,416	1,370,677
Decrease/(increase) in inventories		8,836	(89,917)
Increase in trade and bills receivables		(174,674)	(71,928)
Decrease/(increase) in prepayments, deposits and other receivables		76,605	(69,378)
Increase in trade payables		31,334	91,372
Increase/(decrease) in deferred income		7,147	(2,804)
Increase in other payables and accruals		23,617	33,059
Decrease in defined benefit plan obligations		(1,253)	(2,130)
Cash generated from operations		1,387,028	1,258,951

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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 and 1 January 2025	2,184,882	11,235	2,196,117
Changes from financing cash flows:			
Proceeds from bank loans	1,601,753	–	1,601,753
Repayment of bank loans	(1,385,341)	–	(1,385,341)
Capital element of lease rentals paid	–	(4,466)	(4,466)
Interest element of lease rentals paid	–	(517)	(517)
Interest paid	(89,530)	–	(89,530)
Total changes from financing cash flows	126,882	(4,983)	121,899
Exchange adjustments	19,295	156	19,451
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	3,250	3,250
Interest expenses (Note 6(a))	89,530	517	90,047
At 31 December 2025	2,420,589	10,175	2,430,764

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	2,127	2,213
Within financing cash flows	4,983	5,806
	7,110	8,019

These amounts relate to the following:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Lease rentals paid	7,110	8,019

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(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Short-term bank loans	588,767	468,170
Current portion of long-term bank loans	472,371	451,064
Within 1 year or on demand	1,061,138	919,234
After 1 year but within 2 years	870,673	551,719
After 2 years but within 5 years	488,778	713,929
	1,359,451	1,265,648
	2,420,589	2,184,882

Notes:

- (i) As at 31 December 2025 and 2024, the bank loans were unsecured.
- (ii) Fulfillment of loan covenants

Certain banking facilities of the Group are subject to the fulfillment 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 2025 and 2024, none of the covenants relating to drawn down facilities was breached.

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23 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Within 1 year	4,395	3,778
After 1 year but within 2 years	2,727	3,575
After 2 years but within 5 years	3,053	3,882
	5,780	7,457
	10,175	11,235

24 TRADE PAYABLES

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Trade payables	644,799	588,573

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	
	2025 HK\$'000	2024 HK\$'000
Within 1 month	411,362	350,413
1 to 3 months	175,275	166,508
Over 3 months	58,162	71,652
	644,799	588,573

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(Expressed in Hong Kong dollars unless otherwise indicated)

25 OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Other payables (Note)	331,666	299,031
Accrued expenses	77,267	79,027
	408,933	378,058

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	
	2025 HK\$'000	2024 HK\$'000
Deferred consideration payable	21,973	21,432
Salaries, wages, bonus and benefits payable	121,710	100,307
Payables for purchase of property, plant and equipment	42,184	52,018
Contract liabilities	38,847	23,154
Other taxes payable	44,495	36,043
Advances received for plant relocation	6,049	8,621
Maintenance costs payable	3,178	4,820
Freight costs payable	7,096	7,775
Others	46,134	44,861
	331,666	299,031

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.

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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. The last 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		

NOTES TO THE FINANCIAL STATEMENTS

(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:

	2025		2024	
	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
Expired during the year		–	HK\$2.40	(6,554,014)
Forfeited during the year		–	HK\$2.40	(627,492)
Outstanding at the end of the year		–		–
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 2024 was HK\$2.40.

NOTES TO THE FINANCIAL STATEMENTS

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2025 HK\$'000	2024 HK\$'000
Provision for Chinese Mainland Corporate Profits Tax	7,889	4,931
Provision for Hong Kong Profits Tax	2,471	9,971
Provision for tax jurisdictions outside Chinese Mainland and Hong Kong	1,223	141
	11,583	15,043
Represented by:		
Taxation recoverable	(8,936)	(9,387)
Taxation payable	20,519	24,430
	11,583	15,043

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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	Unrealized profits on inventories	Government grant	Depreciation of property, plant and equipment	Defined benefit plan obligations	Accrued expenses	Impairment of property, plant and equipment	Differentiated and tax filing currency	Deductible tax losses	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	14,368	15,105	12,381	23,083	9,661	9,122	8,440	23,110	17,759	13,620	146,649
Recognized in profit or loss	(4,893)	4,566	(1,219)	8,633	(4,987)	3,765	(8,385)	(3,315)	(17,397)	(8,205)	(31,437)
Recognized in other comprehensive income	-	-	-	-	2,750	-	-	-	-	-	2,750
Exchange adjustment	(249)	-	(246)	(5,073)	(586)	(748)	(55)	(1,328)	(362)	(1,243)	(9,890)
At 31 December 2024 and 1 January 2025	9,226	19,671	10,916	26,643	6,838	12,139	-	18,467	-	4,172	108,072
Recognized in profit or loss	(769)	(1,617)	(128)	8,360	(1,349)	(1,459)	-	2,293	37,873	(29)	43,175
Recognized in other comprehensive income	-	-	-	-	97	-	-	-	-	-	97
Exchange adjustment	374	-	274	4,255	820	586	-	2,324	505	30	9,168
At 31 December 2025	8,831	18,054	11,062	39,258	6,406	11,266	-	23,084	38,378	4,173	160,512

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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 and 1 January 2025	33,153	20,434	5,237	12,753	2,499	74,076
Recognized in profit or loss	170	(1,244)	442	19,198	(2,298)	16,268
Effect of withholding tax on dividends	-	-	-	(11,052)	-	(11,052)
Exchange adjustment	840	1,709	137	-	184	2,870
At 31 December 2025	34,163	20,899	5,816	20,899	385	82,162

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Net deferred tax assets in the consolidated statement of financial position	141,413	83,880
Net deferred tax liabilities in the consolidated statement of financial position	(63,063)	(49,884)
	78,350	33,996

(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\$71,978,000 (2024: HK\$63,362,000) in respect of cumulative losses of the Group's subsidiaries in Chinese Mainland, United States, Germany, Mexico, Czech and Luxembourg of HK\$340,814,000 (2024: HK\$308,681,000) as at 31 December 2025, 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 2025, deferred tax liabilities of HK\$20,899,000 (2024: HK\$12,753,000) 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\$2,668,421,000 (2024: HK\$3,025,184,000). Deferred tax liabilities of HK\$215,550,000 (2024: HK\$219,382,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 DEFERRED INCOME

As at 31 December 2025, deferred income represented unamortized conditional government grants amounting to HK\$139,714,000 (2024: HK\$129,208,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025 and 2024 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	
	2025 HK\$'000	2024 HK\$'000
Present value of defined benefit plan obligations	58,796	62,642

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

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	62,642	64,268
Remeasurements effect recognized in other comprehensive income:		
Actuarial (gain)/loss	(3,744)	4,911
Exchange adjustment	1,151	(4,407)
	60,049	64,772
Benefits paid by the plans	(12,778)	(15,015)
Current service cost	4,425	5,782
Interest cost	7,100	7,103
At the end of the year	58,796	62,642

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
Current service cost	4,425	5,782
Interest on defined benefit plan obligations	7,100	7,103
Total amounts recognized in profit or loss (Note 6(b))	11,525	12,885
Actuarial (gain)/loss	(3,744)	4,911
Exchange adjustment	1,151	(4,407)
Total amounts recognized in other comprehensive income	(2,593)	504
Total defined benefit costs	8,932	13,389

The weighted average duration of the defined benefit retirement plans obligation of the Germany DBRPs in Germany subsidiaries is 12 (2024: 13) years as at 31 December 2025.

The weighted average duration of the defined benefit retirement plans obligation of the Turkey DBRP in Cengiz Makina is 19 (2024: 17) years as at 31 December 2025.

The weighted average duration of the defined benefit retirement plans obligation of the Mexico DBRPs in a Mexican subsidiary is 8 (2024: 10) years as at 31 December 2025.

(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	
	2025 HK\$'000	2024 HK\$'000
Cost of sales	4,425	5,782
Administrative and other operating expenses	7,100	7,103
	11,525	12,885

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2025	2024
Discount rate	3.3%–30.0%	3.3%–28.0%
Pension inflation	2.1%–24.0%	2.1%–23.3%

The below analysis shows how the defined benefit obligation as at 31 December 2025 and 2024 would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumptions:

	2025		2024	
	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	(3,173)	3,477	(3,843)	4,234
Pension inflation	3,315	(3,062)	3,933	(3,618)

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.

Starting from 1 May 2025, the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “2022 Amendment Ordinance”) came into effect, which abolishes 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 2022 Amendment Ordinance does not impact the Group’s LSP liability as at 31 December 2025 and 2024 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 available to offset the eligible employees’ LSP related to their service period after 1 May 2025 (with an overall cap of HK\$390,000 per employee).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025 and 2024. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	Reserves				Total HK\$'000
		Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
Balance at 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 and 1 January 2025	34	188,729	1,443,764	1,110	82,798	1,716,401
Changes in equity for 2025:						
Profit and total comprehensive income for the year		-	-	-	301,705	301,705
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)
Balance at 31 December 2025	34	188,729	1,443,764	1,110	82,537	1,716,140

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
First interim dividend declared and paid of HK\$0.08 per share (2024: HK\$0.08 per share)	150,983	150,983
Second interim dividend declared after the end of the reporting period of HK\$0.08 per share (2024: HK\$0.08 per share)	150,983	150,983
	301,966	301,966

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	
	2025 HK\$'000	2024 HK\$'000
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.08 per share (2024: HK\$0.08 per share)	150,983	150,983

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

	2025		2024	
	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 and 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.

(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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$1,527,411,000 (2024: HK\$1,527,672,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management (Continued)

The Group's net debt to capital ratio at 31 December 2025 and 2024 was as follows:

	Note	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Current liabilities:			
Bank loans	22	1,061,138	919,234
Lease liabilities	23	4,395	3,778
		1,065,533	923,012
Non-current liabilities:			
Bank loans	22	1,359,451	1,265,648
Lease liabilities	23	5,780	7,457
		1,365,231	1,273,105
Total debt		2,430,764	2,196,117
Less: Cash and cash equivalents	21(a)	(720,944)	(601,747)
Net debt		1,709,820	1,594,370
Total Equity		5,623,180	4,742,914
Net debt to capital ratio		30.4%	33.6%

Except for the banking facilities which require the fulfillment of certain covenants as disclosed in Note 22, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
Contracted for	481,039	425,442
Represented by:		
Construction of plants	140,219	344,840
Acquisition of machinery	340,820	80,602
	481,039	425,442

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	
	2025 HK\$'000	2024 HK\$'000
Short-term employee benefits	27,049	28,601
Share-based payments	–	38
Contributions to defined contribution retirement plans	1,780	1,920
	28,829	30,559

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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, 13% (2024: 12%) and 40% (2024: 35%) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	12,483	20,826
Impairment loss recognized during the year	271	4,940
Amounts written off during the year	(1,648)	(12,873)
Exchange adjustment	203	(410)
Balance at 31 December	11,309	12,483

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025				Total	Carrying amount at 31 December 2025
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	1,088,858	959,304	507,140	–	2,555,302	2,420,589
Trade payables	644,799	–	–	–	644,799	644,799
Other payables and accruals	408,933	–	–	–	408,933	408,933
Lease liabilities	4,761	3,600	3,153	–	11,514	10,175
	2,147,351	962,904	510,293	–	3,620,548	3,484,496

	At 31 December 2024				Total	Carrying amount at 31 December 2024
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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			
	2025		2024	
	Effective Interest rate %	Amount HK\$'000	Effective Interest rate %	Amount HK\$'000
Fixed rate borrowings:				
Bank loans	3.01%	859,744	3.00%	773,061
Lease liabilities	4.35%	10,175	4.57%	11,235
		869,919		784,296
Variable rate borrowings:				
Bank loans	4.23%	1,560,845	5.94%	1,411,821
Total borrowings		2,430,764		2,196,117
Fixed rate borrowings as a percentage of total borrowings		35.8%		35.7%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2025, 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\$13,035,000 (2024: HK\$11,789,000) 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 2024.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2025 HK\$'000	2024 HK\$'000
<i>US\$</i>		
Trade and bills receivables	598,868	487,030
Cash and cash equivalents	168,424	98,962
Trade payables	(45,331)	(25,752)
Other payables and accruals	(3,472)	–
Net exposure arising from recognized assets and liabilities	718,489	560,240
<i>EUR</i>		
Trade and bills receivables	99,337	102,176
Other receivables	–	697
Cash and cash equivalents	29,930	1,968
Trade payables	(18,926)	(13,655)
Net exposure arising from recognized assets and liabilities	110,341	91,186

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
<i>RMB</i>		
Trade and bills receivables	-	116
Other receivables	-	1,368
Cash and cash equivalents	166	849
Trade payables	(1,482,179)	(908,721)
Other payables and accruals	-	(313)
Bank loans	(311,928)	(316,186)
Net exposure arising from recognized assets and liabilities	(1,793,941)	(1,222,887)

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
<i>TL</i>		
Trade and bills receivables	15,283	9,772
Cash and cash equivalents	2,462	488
Trade payables	(17,921)	(15,274)
Other payables and accruals	(4,704)	-
Bank loans	(24,384)	-
Net exposure arising from recognized assets and liabilities	(29,264)	19,479

	At 31 December	
	2025 HK\$'000	2024 HK\$'000
<i>MXN</i>		
Trade and bills receivables	16,692	4,290
Other receivables	150	16,071
Cash and cash equivalents	635	1,438
Trade payables	(16,984)	(1,090)
Other payables and accruals	(3,273)	(93)
Net exposure arising from recognized assets and liabilities	(2,780)	20,616

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

	2025		2024	
	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% (5%)	32,068 (32,068)	5% (5%)	23,691 (23,691)
EUR	5% (5%)	4,925 (4,925)	5% (5%)	3,856 (3,856)
RMB	5% (5%)	(80,067) 80,067	5% (5%)	(51,713) 51,713
TL	5% (5%)	(1,127) 1,127	5% (5%)	(193) 193
MXN	5% (5%)	(116) 116	5% (5%)	861 (861)

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 remeasure 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 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2025 HK\$'000	Fair value measurement at 31 December 2025 categorized into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial asset:				
Unlisted equity securities	1,559	–	–	1,559

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement (Continued)

Fair value hierarchy (Continued)

	Fair value at	Fair value measurement at		
	31 December 2024 HK\$'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial asset:				
Unlisted equity securities	1,521	–	–	1,521

During the years ended 31 December 2025 and 2024, 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 2025, 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\$6,000 (2024: HK\$3,000). Nil unrealized gain or loss in respect of unlisted equity securities were recognized in fair value reserve (non-recycling) in other comprehensive income during 2025 and 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 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Interest in subsidiaries		1,716,190	1,716,095
		<u>1,716,190</u>	<u>1,716,095</u>
Current assets			
Other receivables		301	304
Taxation recoverable		-	480
Cash and cash equivalents		484	451
		<u>785</u>	<u>1,235</u>
Current liabilities			
Other payables		425	929
Taxation payable		410	-
		<u>835</u>	<u>929</u>
Net current (liabilities)/assets		<u>(50)</u>	<u>306</u>
Total assets less current liabilities		<u>1,716,140</u>	<u>1,716,401</u>
NET ASSETS		<u>1,716,140</u>	<u>1,716,401</u>
CAPITAL AND RESERVES			
	30		
Share capital		188,729	188,729
Reserves		1,527,411	1,527,672
TOTAL EQUITY		<u>1,716,140</u>	<u>1,716,401</u>

NOTES TO THE FINANCIAL STATEMENTS

(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 2025, 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 2025

Up to date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the year ended 31 December 2025 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 IFRS 9 and IFRS 7: <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
Amendments to IFRS 9 and IFRS 7: <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	1 January 2027
<i>IFRS 19, Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

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 except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1, *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

FINANCIAL SUMMARY

HK\$ million	2025	2024	2023	2022	2021
Consolidated statement of profit or loss					
Revenue	5,095.5	4,686.8	4,604.4	4,354.7	3,777.7
Gross profit	1,400.1	1,269.1	1,178.3	1,261.0	1,022.4
Gross profit margin	27.5%	27.1%	25.6%	29.0%	27.1%
Other revenue	31.5	33.2	30.2	23.9	34.4
Other net income/(loss)	12.1	125.5	20.0	(24.6)	(48.0)
Selling and distribution expenses	(189.7)	(177.0)	(158.5)	(180.7)	(187.4)
Administrative and other operating expenses	(359.5)	(362.6)	(341.7)	(334.7)	(328.4)
Profit from operations	894.5	888.2	728.3	744.9	493.0
Operating profit margin	17.6%	19.0%	15.8%	17.1%	13.1%
Net finance costs	(78.8)	(102.3)	(108.4)	(55.9)	(24.4)
Profit before taxation	815.7	785.9	619.9	689.0	468.6
Income tax	(87.6)	(140.1)	(33.1)	(106.2)	(82.8)
Profit for the year	728.1	645.8	586.8	582.8	385.8
Net profit margin	14.3%	13.8%	12.7%	13.4%	10.2%
Non-controlling interest	(1.9)	(1.5)	(1.7)	(0.8)	(3.0)
Profit attributable to					
shareholders of the Company	726.2	644.3	585.1	582.0	382.8
Adjusted NPAT ¹	691.8	617.0	533.7	649.9	425.2
Adjusted profit attributable to					
shareholders of the Company	689.9	615.5	532.0	649.1	422.2
EBITDA	1,413.1	1,390.9	1,224.9	1,165.5	910.0
Adjusted EBITDA	1,413.1	1,318.6	1,214.9	1,227.6	940.9
Adjusted EBITDA margin	27.7%	28.1%	26.4%	28.2%	24.9%
Basic earnings per share (HK cents)	38.5	34.1	31.0	30.9	20.3
Adjusted earnings per share (HK cents)	36.6	32.6	28.2	34.5	22.4
Dividend per share (HK cents)	16.0	16.0	16.0	16.0	10.1

Consolidated Statement of
Changes in Equity

Consolidated Cash
Flow Statement

Notes to the Financial
Statements

Financial Summary

FINANCIAL SUMMARY

HK\$ million	2025	2024	2023	2022	2021
Consolidated statement of financial position					
Property, plant and equipment	5,236.2	4,322.6	4,535.5	4,050.2	3,970.1
Goodwill and intangible assets	397.0	406.9	442.3	479.2	43.7
Cash and cash equivalents and pledged deposits	720.9	601.7	630.9	483.3	579.0
Other current and non-current assets	3,035.8	2,840.6	2,692.2	2,750.3	2,449.5
Total assets	9,389.9	8,171.8	8,300.9	7,763.0	7,042.3
Bank loans and lease liabilities	2,430.8	2,196.1	2,257.8	2,205.9	1,544.9
Other current and non-current liabilities	1,335.9	1,232.9	1,142.2	1,159.1	1,118.0
Total liabilities	3,766.7	3,429.0	3,400.0	3,365.0	2,662.9
Net assets	5,623.2	4,742.8	4,900.9	4,398.0	4,379.4
Equity attributable to shareholders of the Company	5,604.8	4,721.4	4,880.6	4,379.3	4,356.1
Non-controlling interest	18.4	21.5	20.3	18.7	23.3
Total equity	5,623.2	4,742.8	4,900.9	4,398.0	4,379.4
Other information/Ratio					
Inventory turnover days	114	118	123	135	121
Trade & bills receivables turnover days	89	87	88	88	84
Trade payables turnover days	61	59	52	48	42
Capital expenditures	897.7	632.7	713.0	599.7	1,054.1
Free cash inflow/(outflow) from operations (FCF) ²	281.6	456.2	508.5	169.0	(606.3)
FCF/Adjusted NPAT	40.7%	73.9%	95.3%	26.0%	-142.6%
Net gearing ratio	30.4%	33.6%	33.2%	39.2%	22.1%
Net debt to adjusted EBITDA ³	1.2	1.2	1.3	1.4	1.0
Interest coverage (times) ⁴	9.9	7.4	6.2	13.4	18.5
Adjusted return on equity ⁵	13.4%	12.8%	11.5%	14.9%	10.1%

Notes:

- Adjusted NPAT represents NPAT added back significant one-off items, and amortization and depreciation related to purchase price allocation, net of tax.
- 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").
- Adjusted EBITDA represents EBITDA added back significant one-off items.
- 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.
- 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.