



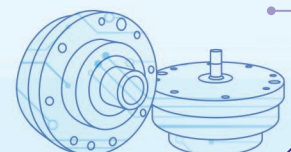
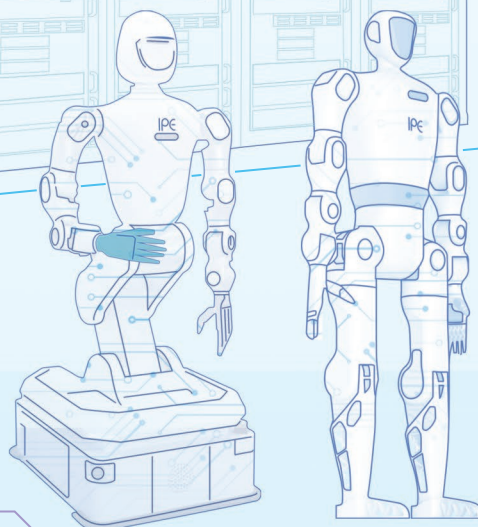
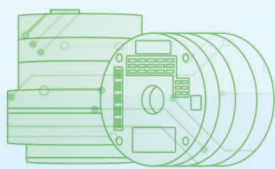
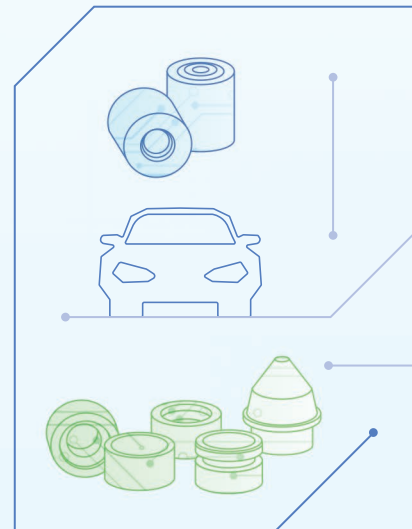
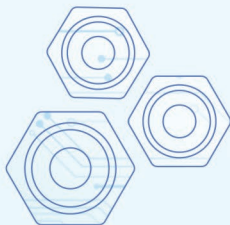
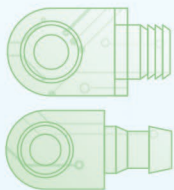
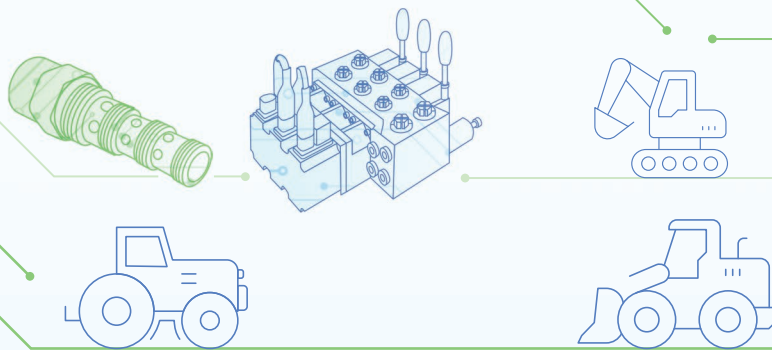
國際精密集團

IPE Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 929)

2025 ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Guangsheng
(Chairman and Chief Executive Officer)
Mr. Ng Hoi Ping

Non-executive Directors

Ms. Zeng Jing
Mr. Chen Kuangguo

Independent Non-executive Directors

Mr. Yang Rusheng
Mr. Cheung Chun Yue, Anthony
Mr. Zhu Jianbiao
(Lead independent non-executive director)

AUTHORISED REPRESENTATIVES

Mr. Zeng Guangsheng
Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

Mr. Yang Rusheng *(Chairman)*
Mr. Cheung Chun Yue, Anthony
Mr. Zhu Jianbiao

REMUNERATION COMMITTEE

Mr. Cheung Chun Yue, Anthony *(Chairman)*
Mr. Zeng Guangsheng
Mr. Yang Rusheng
Mr. Zhu Jianbiao

NOMINATION COMMITTEE

Mr. Zeng Guangsheng *(Chairman)*
Ms. Zeng Jing
Mr. Yang Rusheng
Mr. Cheung Chun Yue, Anthony
Mr. Zhu Jianbiao

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Cheung Chun Yue, Anthony *(Chairman)*
Mr. Zeng Guangsheng
Mr. Yang Rusheng
Mr. Zhu Jianbiao

LEGAL ADVISERS TO THE COMPANY

King & Wood Mallesons

WEBSITE

<http://www.ipegroup.com>

REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5–6, 23/F, Enterprise Square Three
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.8 Zhuzian Road, Yue Hu Cun
Zengcheng, Guangzhou
Guangdong Province, The PRC
Post code: 511335

PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb
Wangnoi, Ayutthaya 13170, Thailand

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Forvis Mazars CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with
the Financial Reporting Council Ordinance

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

CORPORATE PROFILE



IPE Group Limited (the “Company” or “IPE Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of high precision metal components.

The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in automotive parts, hydraulic equipment, electronic equipment component, CNC lathes and other devices.

The Group’s highly valued customers are top-tier multinational corporations in the information technology, fluid power, automotive and electronic sectors where optimal precision is vital. Apart from supplying high volume precision components according to customer specifications, we are providing solutions to our global partners and working very closely with them in implementing new projects. Such projects typically take longer time to come to fruition as they involve development of many metal and plastic parts, and electronic circuits and the necessary know-how in final assembly and testing of the assembled device before shipment to the end customers can take place. The Group has developed a team of high caliber engineers which are able to provide solutions to our global partners.

INTRODUCTION OF MAJOR SUBSIDIARIES



GUANGZHOU BASE

The Guangzhou base is the “headquarters” of IPE Group Limited in Mainland China, with many subsidiaries locating there, among which,

1. The automotive products of Guangzhou Xin Hao Precision Technology Company Limited, a High and New-Technology Enterprise, are exported to overseas. With world-class ultra-high precision products and stable quality control, it have established long-term and good cooperation with Global 500 companies.
2. The products of Guangzhou Huitong Hydraulic Company Limited and its subordinate research institute are supplied to world-leading hydraulic manufacturers. It has become the most important base in China for manufacturing high-end threaded cartridge valves substituting imported products.



CHANGSHU BASE

1. Established in September 2014, Changshu Keyu Greystone Machining Company Limited is located the No.1 of the Factory Area, No. 6 Dongzhou Road, the Changshu Economic Technology Development Zone, Jiangsu Province, and is engaged in the production, R&D and sales of automotive parts, hydraulic machinery and their components.
2. Established in September 2014, Jiangsu De Shang Precision Machine Tools Co.Ltd. is located at the Factory No.3 of the Factory Area, No. 6 Dongzhou Road, the Changshu Economic Technology Development Zone, Jiangsu Province, and is mainly engaged in the production and sales of intelligent machinery and equipment, multi-functional lathes and machining centers.



JIANGSU KEMAI HYDRAULIC CONTROL SYSTEM COMPANY LIMITED

Located in Yangzhou Guangling Industrial Park, the main product of the company is load-sensitive proportional multi-way valve, which is the core component of the hydraulic system control of high-end engineering machinery equipment and is widely used in major engineering machinery, mining equipment, municipal machinery and other fields.



YUTAI HYDRAULIC TECHNOLOGY (SHANGHAI) COMPANY LIMITED

Founded in 2006, the main products of this Shanghai-based company include pilot oil source valve group, non-standard valve group integration, agricultural machinery control valve group and other products, which are widely used in agricultural machinery, industrial vehicles, etc

CORPORATE MILESTONE

2025

- Shanghai Yutai has been awarded the 2025 SER Excellence Award by Caterpillar
- Guangzhou Huitong has received recognition for the “Large Flow Pilot-operated Relief Valve” as a renowned High-Quality Product in Guangdong Province
- Guangzhou Huitong awarded as a “Seed Unicorn Enterprise” of Guangzhou in 2025
- Jiangsu Kemai has become a Specialized and Sophisticated “Little Giant” Enterprise
- Guangzhou Huitong has been recognised as a provincial engineering technology research center

2024

- Changshu Keyu Greystone and Guangzhou Huitong Hydraulic Research Institute Company Limited were accredited with High and New-Technology Enterprise
- Changshu Keyu Greystone, Guangzhou Huitong, Dongguan Koda, Shanghai Yutai were accredited with Specialized and New Small and Medium-sized Enterprises in 2024
- Changshu Keyu Greystone became Suzhou High-precision Auto Parts Engineering Technology Research Center
- Guangzhou Huitong awarded as a “Seed Unicorn Enterprise” of Guangzhou in 2024

2023

- Guangzhou Huitong was accredited with High and New-Technology Enterprise
- Dongguan Koda was accredited with High and New-Technology Enterprise
- Jiangsu Kemai was awarded the Mechanical Industry Science and Technology Award by the China Machinery Industry Federation
- Guangzhou Xin Hao was recognised as a New Small and Medium-sized Specialized Enterprise in 2023

2022

- Jiangsu Kemai was one of the Top 100 in the seventh Maker in China and Jiangsu SME Innovation and Entrepreneurship Competition
- Jiangsu Kemai was a provincial engineering center for “Multi-mode Intelligent Load-sensitive Valve Technology” in Jiangsu Province
- Guangzhou Xin Hao obtained the certification for integrated management system of two-oriented society
- Guangzhou Xin Hao and Guangzhou Huitong were accredited with the ISO 9001 certification
- Changshu Keyu Greystone Machining Company Limited passed the 2022 Changshu Industry and Innovation Integration Platform Carrier Certification

2021

- Guangzhou Xin Hao established the Guangdong Precision Manufacturing (Xin Hao) Engineering Technology Research Center
- Guangzhou Xin Hao was awarded the Supplier Quality Excellence Award by GM Group
- Guangzhou Xin Hao became the Graduate School-Enterprise Education Partnership Base of Yanshan University

2020

- Guangzhou Xin Hao was one of the Top 500 Enterprises in Guangdong Manufacturing Industry
- Dongguan Koda received the Supplier Best Progress Award from Dongguan Lingyi Precision Manufacturing Technology Co., Ltd
- Guangzhou Xin Hao received the Long Service Award from Bosch Rexroth (China) Limited in recognition of providing consistent quality of products and services

2019

- IPE Group Limited was appointed an executive member of the China Robot Industry Alliance
- Guangzhou Xin Hao was appointed a founding executive member of Guangzhou Robot Association
- IPE Group Limited was nominated as premium supplier by Schaeffler and Continental

2018

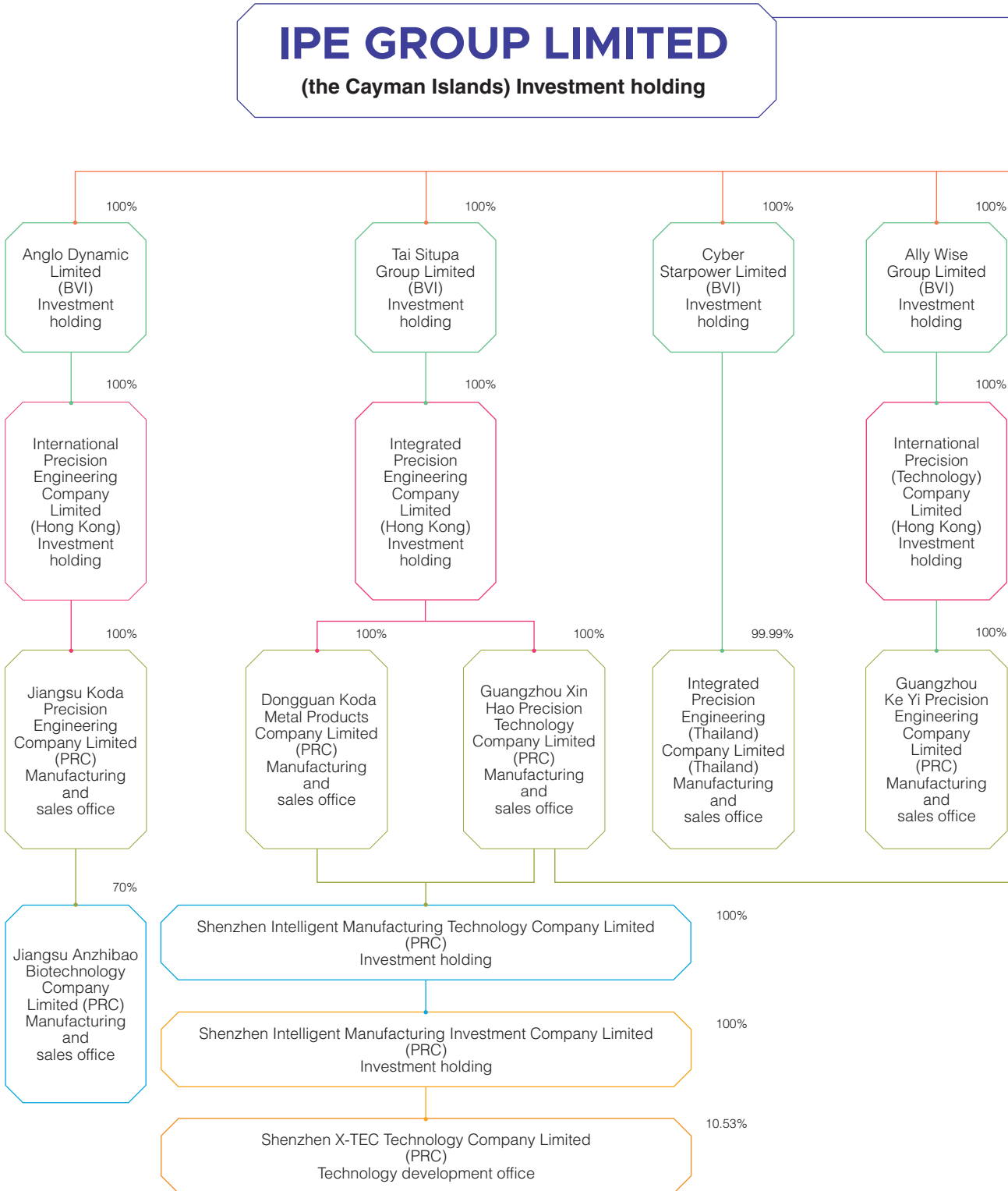
- Signed a strategic framework cooperation agreement with Huanan Industrial Technology Research Institute of Zhejiang University
- Guangzhou Xin Hao was accredited with High and New-Technology Enterprise
- Changshu Keyu Greystone and Dongguan Koda were accredited IATF16949 certification — automotive certification

Before 2017

- Successfully setup a Graduate School-Enterprise Education Partnership Base with Graduate School at Shenzhen, Tsinghua University in 2017
- Guangzhou Xin Hao was accredited IATF16949 certification — automotive certification in 2017
- Success developed own brandname robots in 2015
- Jiangsu Koda completed construction of Phase 1 of the development of our Changshu site which provided 40,000 m² of production area in 2014
- Established Jiangsu Koda in Jiangsu Province, The PRC, purchased 166,631 m² of land in Changshu in 2011
- Listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004
- Established Guangzhou Xin Hao in Guangdong Province, The PRC in 2002
- Established IPE (Thailand) in Thailand in 1997
- Established IPE (Hong Kong) in Hong Kong and Dongguan Koda in Guangdong Province, The PRC in 1994
- Established IPE (Singapore) in Singapore in 1990

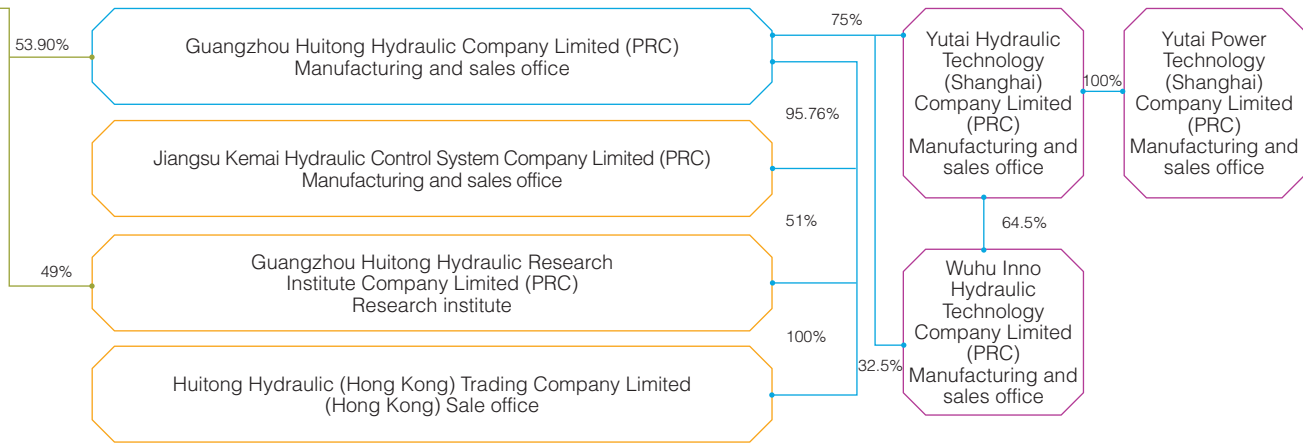
CORPORATE STRUCTURE

Principal subsidiaries and associate of the Company as at 31 December 2025



Best Device Group Limited

(BVI) Investment holding



FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December									
	2025		2024		2023		2022		2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
REVENUE	1,087,034	100%	1,010,006	100%	898,733	100%	962,566	100%	1,030,808	100%
Cost of sales	(773,107)	(71%)	(724,301)	72%	(675,909)	75%	(688,379)	72%	(763,995)	74%
Gross profit	313,927	29%	285,705	28%	222,824	25%	274,187	28%	266,813	26%
Other income	30,215	2%	40,641	4%	62,015	7%	45,606	5%	62,791	6%
Change in fair value of investment properties	–	0%	(732)	0%	(2,557)	0%	4,775	0%	10,847	1%
Change in fair value of financial assets measured at fair value through profit or loss	6,521	1%	14,473	1%	(1,159)	0%	(2,589)	0%	499	0%
(Provision for) Reversal of impairment losses related to receivables	(986)	0%	4,924	0%	(4,501)	0%	(538)	0%	1,870	0%
Distribution costs	(32,800)	(3%)	(37,536)	4%	(28,947)	3%	(26,178)	2%	(25,618)	2%
Administrative expense and other expense	(187,778)	(17%)	(172,164)	17%	(148,209)	17%	(181,285)	19%	(146,974)	14%
Research and development costs	(80,372)	(7%)	(80,641)	8%	(57,696)	7%	(68,966)	7%	(47,153)	5%
Finance costs	(8,551)	(1%)	(15,572)	2%	(11,239)	1%	(6,832)	1%	(4,677)	0%
Share of losses of an associate	(58)	0%	(631)	0%	(1,158)	0%	(822)	0%	(815)	0%
PROFIT BEFORE TAXATION	40,118	4%	38,467	4%	29,373	4%	37,358	4%	117,583	12%
Income tax	(6,145)	(1%)	(8,356)	1%	(13,728)	2%	(9,617)	1%	(26,837)	3%
PROFIT FOR THE YEAR	33,973	3%	30,111	3%	15,645	2%	27,741	3%	90,746	9%
Attributable to:										
Equity shareholders of the Company	11,388	1%	10,597	1%	5,667	1%	8,693	1%	81,432	8%
Non-controlling interests	22,585	2%	19,514	2%	9,978	1%	19,048	2%	9,314	1%
	33,973	3%	30,111	3%	15,645	2%	27,741	3%	90,746	9%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total non-current assets	1,151,003	1,114,755	1,082,453	874,540	930,542
Total current assets	1,438,046	1,355,562	1,464,374	1,461,945	1,525,820
Total current liabilities	369,662	484,051	427,357	249,084	362,508
Net current assets	1,068,384	871,511	1,037,017	1,212,861	1,163,312
Total non-current liabilities	145,305	38,348	155,280	175,315	32,554
Total equity	2,074,082	1,947,918	1,964,190	1,912,086	2,061,300

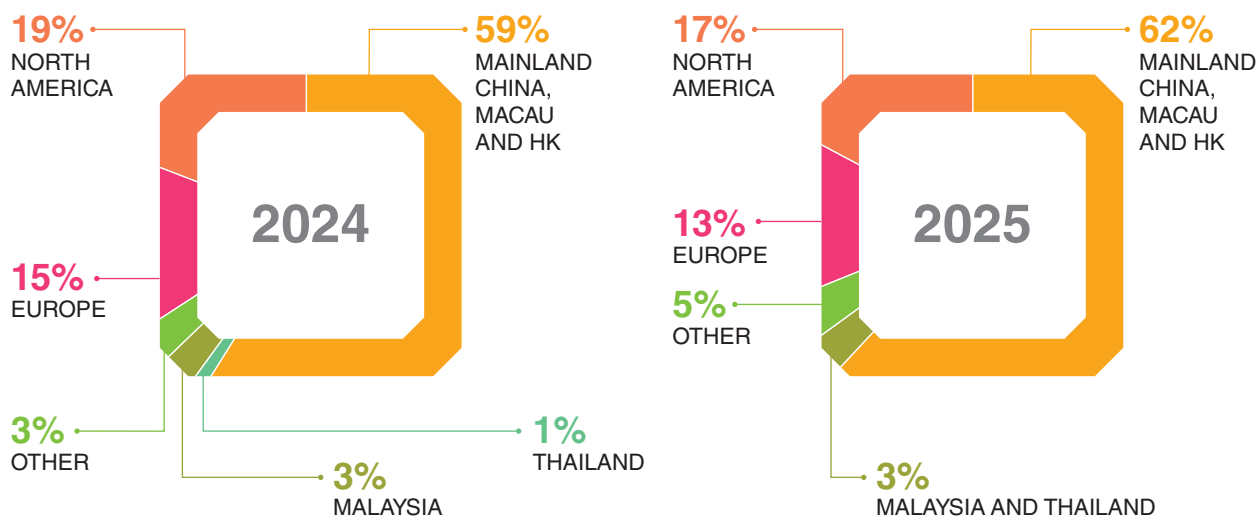
RATIO ANALYSIS

	Year ended 31 December				
	2025	2024	2023	2022	2021
KEY STATISTICS:					
Current ratio	3.89	2.80	3.43	5.87	4.21
Net cash to equity ratio	0.12	0.11	0.25	0.28	0.34
Gearing ratio [#]	9.26%	15.0%	9.4%	10.2%	7.3%
Gross profit margin	28.9%	28.3%	24.8%	28.5%	25.9%
EBITDA margin	13.9%	14.8%	15.9%	14.4%	20.8%
Net profit margin	3.1%	3.0%	1.7%	2.9%	8.8%
Average days of debtor turnover	135 days	125 days	127 days	115 days	97 days
Average days of inventory turnover	163 days	164 days	177 days	170 days	128 days
PER SHARE DATA:					
Net asset value per share (HK\$)	1.97	1.85	1.87	1.82	1.96
Dividend per share	HK2.8 cents	Nil	Nil	Nil	Nil
Earning per share (basic)	HK1.08 cents	HK1.01 cents	HK0.54 cents	HK0.83 cents	HK7.7 cents
Earning per share (diluted)	HK1.08 cents	HK1.01 cents	HK0.54 cents	HK0.83 cents	HK7.7 cents

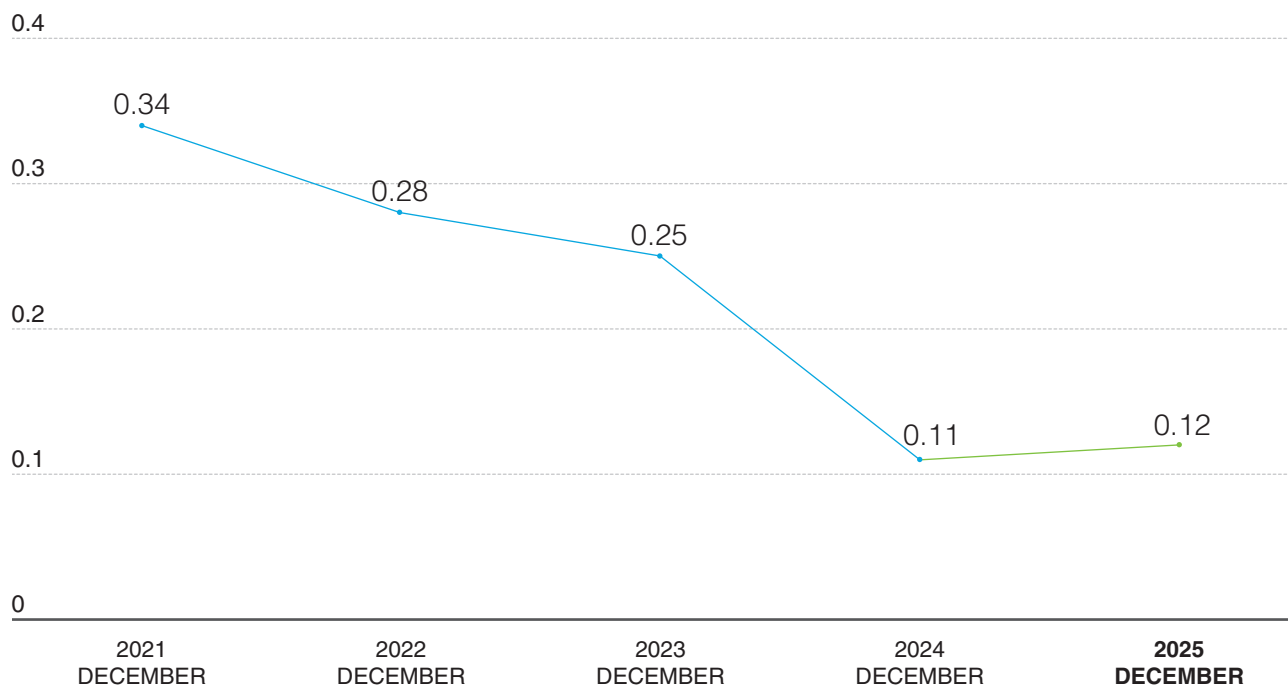
[#] The gearing ratio is calculated as interest bearing loan divided by equity.

FINANCIAL HIGHLIGHTS

GEOGRAPHICAL COMBINATION



NET CASH TO EQUITY RATIO



CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I present to shareholders the annual results of IPE Group Limited ("IPE" or the "Company") and its subsidiaries (collectively referred to as the "Group" or "IPE Group") for the year ended 31 December 2025.



BUSINESS REVIEW

Since the beginning of 2025, the United States has implemented a series of tariff policies targeted at Chinese companies, impacting global market changes and disrupting the entire supply chain. Faced with such impact, the Group has adjusted its business strategy accordingly. On one hand, to maintain normal supply to US orders, the Group completed the transfer of production lines supplying US orders to its production facilities in Thailand in the first half of 2025, thereby reducing the impact of US tariff policies on the Group's European and American orders. On the other hand, the Group is developing new markets and new areas to reduce its market share in the US and mitigate the risk of business dependence on the European and American markets. As shown in the geographical distribution of sales, the Group's market share in North America in 2025 was 16.8%, representing a decrease of 2.1% as compared to last year, while the market share in China has risen to 62.4%, representing an increase of 3.0% as compared to last year.



In addition to escaping US government policies targeting Chinese companies, the Company aimed to secure future business growth and improve profitability. In the fourth quarter of the year, the Group has already set up two new businesses: liquid cooling, and key components for humanoid robots. In the liquid cooling business, leveraging its years of experience in high-precision metal components, the Company collaborates with the approved suppliers of end customers to provide key components, thus entering the liquid cooling equipment supply chain. In the humanoid robot business, the Company's key components for humanoid robots which have been independently developed over many years, such as harmonic reducers, have also entered the domestic customer market this year. For future business development, the Company will continue to invest more resources to develop these two new businesses.

Looking back at the businesses in 2025, the domestic real estate market remained sluggish, with no clear signs of recovery, resulting in no rebound in domestic demand for large hydraulic equipment components for industrial use. The Group made persistent efforts to expand its customer base across different end-users and achieved some breakthroughs during the year, particularly in agricultural machinery, where customer demand increased. Driven by launch of new products, the hydraulic equipment components segment recorded a sales of HK\$529,840,000 for the year, representing an increase of HK\$43,936,000 or 9.0% as compared to last year, marking two consecutive years of growth. This represents 48.8% of the Group's revenue, making it the largest contributor to the Group's revenue.

Although new energy vehicles are expanding rapidly in the automotive market, encroaching on the market share of traditional vehicles and severely impacting traditional automotive projects, the Group has managed to maintain its market share in the face of such a challenging market environment. Building on its strong reputation among the top global clients over the years, coupled with its ability to quickly respond to customer needs, the Group has successfully expanded into the Central and Eastern European markets. As a result, in this highly competitive market, the Group achieved a 6.0% increase this year, with sales revenue rising from HK\$444,860,000 in last year to HK\$471,507,000. This achievement is a testament to the team's hard work.

As for the electronic equipment components business, the annual sales reached HK\$26,338,000, which was basically the same as last year. With the demand for AI computing power, it is believed that the orders for electronic equipment components will remain at a certain level in the short term. The Group is committed to the development of new businesses and will decide on the allocation of resources for this business depending on the profit and customer demand.

Regarding the Group's recent new business segments, the high-end CNC lathe business, facing fierce competition in the domestic market, primarily targeted overseas customers during the year and recorded a sales of HK\$31,904,000, representing an increase of HK\$7,107,000 as compared to last year.

CHAIRMAN'S STATEMENT

Based on the combined performance of all segments, total sales revenue in 2025 amounted to HK\$1,087,034,000, representing an increase of HK\$77,028,000 or 7.6% as compared to HK\$1,010,006,000 for last year. The following table shows the sales of each of the Group's business segments.

	2025		2024		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Major business categories						
Hydraulic equipment components	529,840	48.8	485,904	48.1	43,936	9.0
Automotive components	471,507	43.4	444,860	44.0	26,647	6.0
Electronic equipment components	26,338	2.4	27,244	2.7	(906)	(3.3)
CNC lathes	31,904	2.9	24,797	2.5	7,107	28.7
Others	27,445	2.5	27,201	2.7	244	0.9
Total	1,087,034	100	1,010,006	100	77,028	7.6

Driven by the increase in sales, our gross profit for the year amounted to HK\$313,927,000, representing an increase of HK\$28,222,000 or 9.9% as compared to HK\$285,705,000 for last year. Despite the Company's active implementation of cost reduction and efficiency improvement measures and their promotion to new businesses amid intense competition and the impact of US tariff policies, the gross profit margin remained at a level similar to last year. It is believed that as new businesses ramp up and gradually reach maturity, the overall gross profit margin has the potential to increase.

The Group's net profit after tax for the year ended 31 December 2025 amounted to HK\$33,973,000, representing an increase of HK\$3,862,000 or 12.8% as compared to HK\$30,111,000 for last year; and the earnings per share was HK1.08 cents, representing an increase of 6.9% as compared to last year.

PROSPECT

Against the backdrop of the deep application of artificial intelligence (AI) technology, the Group, as a leader in the field of ultra-high precision manufacturing, is actively responding to the national strategic plan for the AI industry. With its 30 years of profound experience in material selection, advanced and world-class equipment and quality control system, and processing technology that meets the highest European standards, the Group is accelerating its development of liquid cooling and humanoid robot businesses.

In line with the trend of liquid cooling technology becoming the mainstream heat dissipation solution in the AI industry, the Group has keenly captured market demand and, relying on its leading manufacturing system and R&D standards in the field of ultra-high precision manufacturing, is committed to the development of new liquid cooling products and breakthroughs in core technology bottlenecks. Last year, the Group actively invested resources to fully expand the liquid cooling product market and achieved mass production of core components, launching universal quick disconnect (UQD) couplings and high-precision structural components for liquid cooling systems, with an aim to establish the Group's leading position in the field of liquid cooling heat dissipation.

The Group entered into the robotics industry in 2013. In 2015, the Group's first industrial robot based on its self-developed harmonic reducer was put into operation on the Company's production line. After nearly 10 years of technological accumulation and development, the Group has applied for and obtained a number of patents in the robotics field; and is one of the few humanoid robot companies in China with 4+1+1, i.e. possessing completely independent intellectual property rights for harmonic reducers, integrated servo rotary joints (in 2024, the Group was the first in China to launch ultra-thin integrated servo joints), linear actuators, dexterous hands, legged humanoid bodies and wheeled humanoid bodies, which can provide customers with one-stop comprehensive solutions.

Looking ahead, the Company will continue its effort in technological and product development, focus on the liquid cooling industry, and facilitate the technological iteration of humanoid robots and the commercialization of products, thereby empowering the rapid development of the AI industry with high-quality products.

Finally, I would like to express my gratitude, on behalf of the Board of Directors, to all employees for their contributions and efforts to the Group over the past years.

Mr. Zeng Guangsheng

Chairman

Hong Kong, 27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

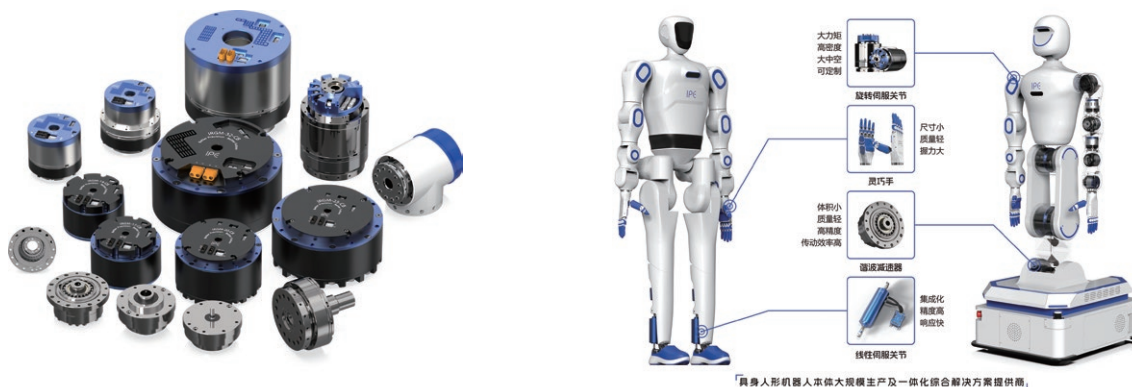
In 2025, the Group recorded a revenue of HK\$1,087,034,000 for the year, representing an increase of HK\$77,028,000 or 7.6% as compared to HK\$1,010,006,000 for last year. The growth was mainly attributable to the sales growth of the hydraulic equipment components and automotive components businesses, which increased by HK\$43,936,000 and HK\$26,647,000 respectively.

With the increase in total sales, gross profit for the year amounted to HK\$313,927,000, representing an increase of HK\$28,222,000 or 9.9% as compared to HK\$285,705,000 for last year; and the gross profit margin in 2025 was 28.9%, remained basically the same as last year.

Other income for the year amounted to HK\$30,215,000, representing a decrease of HK\$10,426,000 as compared to HK\$40,641,000 for last year. This was mainly due to the Group's use of idle funds to repay loans and reduce expenses on higher-interest bank loans; and consequently, interest income decreased by HK\$4,460,000 from HK\$8,433,000 last year to HK\$3,973,000.

In 2025, the Group's distribution expenses amounted to HK\$32,800,000, representing a decrease of HK\$4,736,000 or 12.6% as compared to last year. With the increase in total sales, such expenses only accounted for 3.0% of total sales (last year: 3.7%), demonstrating successful control over the expenses and expenditures of sales activities.

In 2025, administrative expense and other expenses amounted to HK\$187,778,000, representing an increase of HK\$15,614,000 as compared to HK\$172,164,000 for last year. The reasons for the change were mainly attributable to two non-recurring expenditures: firstly, compensation payments for staff redundancy amounted to HK\$4,340,000 for the closure of the Taicang Company and other subsidiaries during the year, representing an increase of HK\$4,287,000; and secondly, business taxes and surcharges increased from HK\$13,480,000 to HK\$16,349,000, representing an increase of HK\$2,869,000. Depreciation and amortization expenses also increased by HK\$3,251,000 as compared to last year, mainly due to new fixed asset investments. Under the Group's strategy of shifting its business focus, the volume of business in Thailand increased, while the proportion of domestic sales also increased, which also drove the growth in demand for asset investment.



Liquid Cooling Components Matrix

In 2025, finance costs amounted to HK\$8,551,000, representing a decrease of HK\$7,021,000 or 45.1% as compared to last year. The Company used idle funds to reduce the total amount of loans, and utilized internal cash flow to lower high-interest loans.

Due to the successful completion of the previous year's acquisition, the profit attributable to owners of the Group for the year ended 31 December 2025 amounted to HK\$11,388,000, representing an increase of HK\$791,000 as compared to HK\$10,597,000 for last year.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2025, the Group had total bank borrowings of HK\$191,985,000 (31 December 2024: HK\$291,764,000), which were secured by pledged deposit, corporate guarantees given by the Company and certain of its subsidiaries, as well as equity interests and real estates of its subsidiary. The decrease in total loans was mainly due to the reduction of high-interest loans for lower finance costs. Specifically, the Group pledged deposits of Nil (31 December 2024: HK\$19,173,000) to secure daily working capital and pledged deposits of HK\$1,558,000 (31 December 2024: HK\$1,485,000) to secure letters of guarantee. The Group pledged the equity interest of a subsidiary to obtain funds for the previous year's acquisition, and deposits of HK\$17,041,000 (31 December 2024: HK\$14,075,000) have been restricted only for loan settlement purpose. At last, the Company pledged the real estates in Jiangsu held by a subsidiary to obtain funds for the construction of a new plant.

Except for above pledges and restricted deposits, the Group had no charge on any of its assets for its banking facilities as at 31 December 2025.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

As at 31 December 2025, based on the 1,052,254,135 ordinary shares (31 December 2024: 1,052,254,135 ordinary shares) in issue, cash (including restricted cash) per share of the Group amounted to HK\$0.43 as compared to HK\$0.52 last year. The net asset value per share for 2025 amounted to HK\$1.97, representing an increase of HK\$0.12 or 6.5% as compared to HK\$1.85 last year.

In the statement of cash flows, in 2025, net cash inflow from operating activities amounted to HK\$100,481,000, representing an increase of HK\$30,571,000 as compared to HK\$69,910,000 last year.



Humanoid Robotics Components Portfolio



Ultra-thin Rotary Servo Joint Actuators

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding investing activities, the total expenditure for the purchase of other properties, plant and equipment during the year was HK\$91,831,000. Besides the need to upgrade production equipment, the purchase of new models of equipment also helped improve production efficiency and product quality. Major expenditures during the year included: 1) paying the remaining balance of HK\$1,504,000 for the new Jiangsu Kemai plant; investing HK\$3,082,000 in a solar photovoltaic project to reduce electricity costs and build a green factory; and purchasing smart storage cabinets to improve automation and production efficiency with an amount of HK\$1,633,000; 2) the Group also internalized its database and simultaneously upgraded its software to enhance data security and reduce data operating costs; 3) in terms of the new project of liquid cooling components, the Company added new equipment to meet customer orders, with related expenditures amounted to HK\$3,656,000; 4) in addition, due to the transfer of production lines supplying US orders to the Group's production facilities in Thailand, the Group expanded its production capacity in Thailand with an investment of approximately HK\$20,296,000 in new plant and machinery. Including other projects, total investment in property, plant and equipment amounted to HK\$91,831,000, representing a decrease of HK\$72,786,000 as compared to last year. During the year, the disposal of some obsolete equipment generated HK\$8,174,000 in cash, representing an increase of HK\$2,092,000 as compared to last year. In summary, net cash outflow for investing activities in 2025 was HK\$74,131,000, representing a decrease of HK\$241,350,000 as compared to HK\$315,481,000 last year. Besides the decrease in expenditures on the acquisition of property, plant and equipment, another major reason for the significant decrease in cash outflow for investing activities was the payment of approximately HK\$168,065,000 for outstanding payments for the acquisition of subsidiaries last year.

Regarding financing activities, in order to reduce finance costs, the Company used the funds on hand to repay higher-interest bank loans. In 2025, the amount of bank loans settled was HK\$167,396,000 as compared to HK\$64,795,000 last year. Meanwhile, the interest paid during 2025 was HK\$8,150,000, representing a significant reduction of HK\$5,936,000 in interest paid as compared to last year with the settlement of bank loans. The net cash outflow for financing activities in 2025 was HK\$119,182,000 as compared to net cash inflow of HK\$101,555,000 last year.

As at 31 December 2025, the Group's net cash (cash and bank balances less total bank and other loans) was HK\$242,846,000, representing an increase of HK\$19,450,000 as compared to HK\$223,396,000 as at 31 December 2024.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2025, the Group did not hold any significant investments (including any investment in an investee company) with a value of 5% or more of the Group's total assets. During the year ended 31 December 2025, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures. The Group's transactions in financial assets during the year ended 31 December 2025, on a standalone basis and aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

The Group did not have any future plans for material investments or capital assets as of 31 December 2025.

CONTINGENT LIABILITIES

As of 31 December 2025, the Group had no material contingent liabilities.

CURRENCY EXPOSURE AND MANAGEMENT

The Group is exposed to fluctuations in foreign exchange rates. Since most of the Group's revenue is denominated in US dollars, whereas most of the Group's expenses, such as major raw materials and machinery costs and production expenses, are denominated in Japanese yen, Renminbi, Thai Baht and Hong Kong dollars, fluctuations in exchange rates can materially affect the Group. In particular, the appreciation of Renminbi will adversely affect the Group's profitability. The management of the Group continuously evaluates the foreign exchange risks of the Group and takes measures when necessary to reduce the risks.

HUMAN RESOURCES

The Company has always been concerned about the health, development and other issues of its employees to secure their daily needs and enhance their sense of belonging. During the year, there were no major accidents, fines or complaints, and the Company provided a safe production environment. In addition, during the year, the Guangzhou production base carried out large-scale firefighting emergency drills in conjunction with firefighting, safety inspection, public security, health and other authorities, as well as the neighbouring enterprises, to improve the employees' capabilities of emergency rescue and escape. Before the arrival of New Year's Day and the Spring Festival, the Company launched operation safety training and conducted a safety inspection for the entire plant to rectify any potential safety hazards and to safeguard the lives and safety of our employees. Also, the Company has delivered a satisfying performance in localization of the talent ladder construction under the strategic policies for long-term development, to protect the Company's development needs. By utilization of industry exhibitions, industry associations or research institutes and other communication platforms, the Company is able to recruit talents in different fields through multiple channels.

Meanwhile, the Company has a share option scheme in place as an encouragement and awards to selected participants for their contributions to the Company. The Company has set up a mandatory provident fund and local retirement benefit scheme for our staff.

By applying independently developed robots, the Company has improved the automated production processes and reduced the need for basic personnel. As at 31 December 2025, the Company had a total of 2,117 employees (including the staff of the two subsidiaries acquired at the end of last year), representing a decrease of 56 employees as compared to 2,173 employees as at 31 December 2024. The total staff remuneration including directors' remuneration paid or payable by the Group in 2025 was approximately HK\$322,277,000 (2024: approximately HK\$278,432,000). The Company remunerates its employees based on their performance, working experience and market salary levels. In addition, performance bonus is granted on a discretionary basis. The Company also offers various staff welfare, including medical insurance, share option scheme, housing fund and social insurance.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zeng Guangsheng, aged 59, is the Chairman of the Board, the Chief Executive Officer, an executive director, the chairman of both of the executive committee and nomination committee and a member of both of the remuneration committee and the environmental, social and governance committee of the Company. He joined the Group in 2016. Mr. Zeng obtained a doctorate degree in economics from Nankai University (南開大學) in 2004.

He is currently a vice president and an employee representative director of the fifteenth session of the board of directors and the chief investment officer of China Baoan Group Co., Ltd. (中國寶安集團股份有限公司) (“China Baoan”, together with its subsidiaries, the “Baoan Group”) (a company listed on the Shenzhen Stock Exchange, stock code: 000009 and the controlling shareholder of the Company), the chairman of the board of directors of China Baoan Group Assets Management Co., Ltd. (中國寶安集團資產管理有限公司) and the director of Baoan Technology Company Limited (寶安科技有限公司). Mr. Zeng was an executive director of the fourteenth session of the board of directors of China Baoan during the period between June 2019 and December 2024. He had served various positions at the managerial level in various subsidiaries of the Baoan Group and was the vice chairman of the board of directors of Mayinglong Pharmaceutical Group Co., Ltd. (馬應龍藥業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600993).

Mr. Ng Hoi Ping, (former name: Wu Kai Ping), aged 57, is an executive director and a member of the executive committee of the Company. He joined the Group in 2016 and is responsible for the overall financial management of the Group. Mr. Ng obtained a master’s degree in economics from Nankai University (南開大學) in 1996 and a master’s degree in business administration from McMaster University in 2003. He is currently the general manager of Baoan Technology Company Limited (寶安科技有限公司).

Non-executive Directors

Ms. Zeng Jing, aged 51, is a non-executive director and a member of the nomination committee of the Company. She joined the Group in June 2017. Ms. Zeng previously served as the financial controller of China Baoan Group Assets Management Co., Ltd. (中國寶安集團資產管理有限公司). Ms. Zeng previously served as senior position in a subsidiary of China Baoan Group Co., Ltd. (中國寶安集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000009 and the controlling shareholder of the Company) and Mayinglong Pharmaceutical Group Co., Ltd. (馬應龍藥業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600993). She currently holds executive management roles at Baoan Technology Co., Ltd. and Heng Fung International Investment Company Limited. She has over 25 years of experience in accounting and financial management.

Mr. Chen Kuangguo, aged 41, is a non-executive director of the Company. He joined the Group in June 2019. Mr. Chen formerly served as a director of Mayinglong Pharmaceutical Group Co., Ltd. (馬應龍藥業集團股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600993), and previously worked as deputy general manager of the financial investment department of China Baoan Group Co., Ltd., the controlling shareholder of the Company and listed on the Shenzhen Stock Exchange (stock code: 000009). Mr. Chen served as an executive director on China Baoan’s 13th Board of Directors from June 2016 to June 2019.

Independent Non-executive Directors

Mr. Yang Rusheng, aged 58, is an independent non-executive director and a member of each of the remuneration committee, nomination committee and environmental, social and governance committee of the Company and has been appointed as the chairman of the audit committee of the Company since October 2018. He joined the Group in June 2017. Mr. Yang holds a master's degree in economics from Jinan University (暨南大學). He has over 30 years of experience in finance, audit and tax. Mr. Yang is a Certified Public Accountant and Certified Tax Agent in the People's Republic of China and is currently a partner of Jonten Certified Public Accountants (中天運會計師事務所), legal representative of Shenzhen Ruihua Tax Agent Co., Ltd (深圳市瑞華稅務師事務所有限公司) and independent director of Lufax Holding Ltd (陸金所控股有限公司) since July 2020 (a company listed on the New York Stock Exchange, stock symbol: LU and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 6623). Mr. Yang has been a director of Guangdong Institute of Certified Public Accountants (廣東省註冊會計師協會) since June 2015. From November 2016 to March 2021, he was a president of Institute of Shenzhen Certified Public Accountants (深圳註冊會計師協會). Prior to that, he was a partner of Rui Hua Certified Public Accountants (瑞華會計師事務所), Wanlong Asia CPA Co., Ltd. (萬隆亞洲會計師事務所) and Crowe Horwath China Certified Public Accountants Co., Ltd. (國富浩華會計師事務所). Mr. Yang had previously been a committee member of Shenzhen Certified Public Accountants Ethic Committee (深圳市註冊會計師協會道德委員會) and Shenzhen Finance Bureau Certified Public Accountants and Responsibility Judge Committee (深圳市財政局註冊會計師責任鑒定委員會), an executive director of the China Certified Tax Agents Association (深圳市註冊稅務師協會), and a director of Shenzhen Certified Tax Agents Association (中國註冊稅務師協會). From October 2018 to October 2024, Mr. Yang was appointed as an independent director of Guo Fu Life Insurance Co., Ltd. (國富人壽保險股份有限公司) and a director of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2018. From October 2010 to January 2017, Mr. Yang was an independent non-executive director of China Tangshang Holdings Limited (formerly known as Culture Landmark Investment Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 674) and from December 2016 to July 2017, he was appointed as an independent non-executive director of Kantone Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code 1059); from December 2014 to December 2020, Mr. Yang was an independent director of Shenzhen Qianhai Webank (深圳前海微眾銀行股份有限公司) and independent director of Ping An Bank Co. Ltd. (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001) from February 2017 to November 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Chun Yue, Anthony, aged 43, is an independent non-executive director and a member of both the audit committee and nomination committee of the Company. Mr. Cheung has been appointed as the chairman of the remuneration committee of the Company since October 2018 and the chairman of the environmental, social and governance (“ESG”) committee since November 2019. He joined the Group in June 2017. Mr. Cheung has served as an independent non-executive director of China Shineway Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2877) from January 2019 to October 2021, and as an independent non-executive director of Forward Fashion (International) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2528) from December 2019 to July 2022.

Mr. Cheung is currently Managing Director and Head of ESG of Polymer Capital Management (HK) Limited. He also serves as GHG Protocol Independent Standards Board member, Supervisory Board Member of the World Benchmarking Alliance(WBA), Steering Committee Member of Climate Governance Initiative Hong Kong Chapter and Board Governor at Friends of the Earth (HK).

Mr. Cheung previously served in renowned institutions, including BNP Paribas, Pictet Asset Management and Gartmore Investment Management. Mr. Cheung holds a bachelor’s degree in economics from London School of Economics and Political Science, University of London and is a Fellow of CPA Australia. He was awarded the Certified ESG Analyst designation.

Mr. Zhu Jianbiao, aged 52, has been an independent non-executive director of the Company and a member of each of the Board’s Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee since 14 November 2022. Mr. Zhu has been appointed as the lead independent non-executive director of the Company since 29 December 2025. Mr. Zhu was appointed as a non-executive director, the vice chairman of the board and the chairman of the strategic development committee and member of the executive committee of China Shandong Hi-Speed Financial Group., Ltd. on 28 July 2021, was re-designated as an executive director on 6 May 2022; and was appointed as the chief executive officer of the China Shandong Hi-Speed Financial Group., Ltd. on 28 June 2023 (Formerly known as “Shandong Hi-Speed Holdings Group Limited”) (a company listed on the Main Board of the Stock Exchange, stock code: 412). Mr. Zhu has been an independent non-executive director of Beijing Energy International Holding Co., Ltd (北京能源國際控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 686) since June 2021. Mr. Zhu has been an executive director of Shangdong Hi-Speed New Energy Group Limited (a company listed on the Main Board of the Stock Exchange and a subsidiary of the company, stock code:1250) since May 2022. Mr. Zhu serves as an executive director and co-chairman of VNET Group,Inc. (a company listed on Nasdaq Stock Market, an associate of the company, stock code: VNET) since January 2024.

Mr. Zhu graduated from Jiangxi University of Finance and Economics with a bachelor’s degree in economics, and holds a master’s and doctorate degrees in finance from Jinan University. Mr. Zhu has over 20 years of extensive experience in private equity investment, secondary market investment and financial management. He served various positions, such as the chief operating officer of CITIC Private Equity Funds Management Co., Ltd. and the executive deputy general manager of Changsheng Fund Management Co., Ltd.. Mr. Zhu was previously a lecturer of the Faculty of Investment and Finance of Guangdong University of Finance and Economics.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules in relation to the changes in information of the Directors.

SENIOR MANAGEMENT

Mr. Lau Siu Chung, aged 61, is the Chief Operating Officer and Vice President of Marketing of the Group. Mr. Lau joined the Group in 1997 and was an executive director of the Company from June 2009 to November 2018. He is responsible for the planning and implementation of sales strategies and in charge of the sales and marketing activities of the Group. Mr. Lau has over 26 years of experience in marketing and sales of precision components and industrial equipment.

Mr. Zhang Shilin, aged 43, is the Deputy General Manager of the Group. Mr. Zhang joined the Group in 2019. He holds a doctor's degree in economics from Sun Yat-sen University and is an adjunct advisor in finance, South China Normal University. From 2008 to 2019, He served as an officer, section chief, assistant general manager and deputy general manager at the headquarters of Guangzhou Rural Commercial Bank, Guangzhou branch of Industrial Bank, headquarters of Guangzhou Bank and Guangzhou branch of Minsheng Bank, respectively.

Mr. Zhao Chuncheng, aged 45, is the Deputy General Manager of the Group. Mr. Zhao joined the Group in 2021, mainly responsible for the Group's lean implementation. He has 20 years of experience in the manufacturing industry.

COMPANY SECRETARY

Mr. Tam Yiu Chung, aged 55, is the Chief Financial Officer and Company Secretary of the Company. He joined the Group in 2007. He holds a master's degree in professional accounting and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The board (the “Board”) of directors (the “Director(s)”) of the Company presents this Corporate Governance Report in the Company’s annual report for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group recognises the vital importance of good corporate governance to the Group’s success and sustainability and wishes to highlight the indispensable role of its Board in ensuring effective leadership and control of the Company and transparency and accountability of all its operations. The Company has adopted the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save for the code provisions C.2.1 and C.1.6. (which has been renumbered as code provision C.1.5 with effect from 1 July 2025). Key corporate governance principles and practices of the Company as well as details of the said deviation are summarized in the section headed “The Board” below. The Company is committed to reviewing and enhancing its corporate governance practices from time to time to ensure that its corporate governance practices continue to meet the regulatory requirements and the growing expectations of shareholders and investors.

THE BOARD

Responsibilities and Delegation

The overall management and control of the Company’s business are vested in the Board, whose main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company’s expense, upon reasonable request made to the Board. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, and act in the interests of the Company and its shareholders at all times.

Independent non-executive Directors are also encouraged to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They have made a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments.

Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

The Board has also delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Company will review periodically this delegation arrangement.

THE BOARD (Continued)

Board Composition

The following chart illustrated the structure and membership of the Board and the Board Committees up to the date of this report:



None of the members of the Board is related to one another. The biographical details of the directors are disclosed under the section headed “Directors and Senior Management” in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Group and to the exercising of independent judgement. All directors bring a wide range of valuable business and financial expertise, experiences and professionalism to the Board for its effective functioning. Independent non-executive directors are invited to serve on the Board Committees of the Company.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Board Composition (Continued)

During the year ended 31 December 2025, the Board at all times met the requirements of the Listing Rules of having at least three independent non-executive directors (representing at least one-third of the Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director in respect of his independence in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors are independent.

There are no relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members.

Board Skills Matrix

The skills and experience listed in the table below are of paramount importance to the Board of the Company in fulfilling its oversight and decision-making functions, and are intended to demonstrate the breadth of knowledge and experience of Board members in key areas. The Company will periodically review the relevant skill sets to ensure that they are aligned with the Company's strategic direction, corporate governance requirements and business development, and to assist the Company in achieving its objectives, values, strategies and ideal culture. These skills enable the Board to effectively fulfill its duties and accountability, thereby supporting the Company in achieving its established strategic objectives and driving the Group towards sustainable and balanced long-term development, particularly in the following aspects:

Supporting strategy implementation and business growth

The diverse and complementary skill sets enable the Board to provide forward-looking guidance from strategic, financial and technical perspectives, ensuring the effective implementation of the Company's strategies and continuously driving the Group's robust and sustainable business growth.

Strengthening financial governance and risk control

The Directors' expertise in financial accounting and risk management helps to enhance the rigor and reliability of major decisions, strengthen the Company's financial governance, and ensure that the Group maintains a sound operating foundation during its rapid expansion.

Facilitating technological innovation and industry leadership

With its industry experience and insights into emerging technologies, the Board is able to effectively guide the Company in making forward-looking plans for R&D investment, intelligent manufacturing and technological upgrades, thereby continuously enhancing the Group's technological competitiveness and leading position in the industry.

THE BOARD (Continued)

Board Skills Matrix (Continued)

Promoting sustainable development and implementing corporate culture

The Directors' expertise in ESG, human resources and corporate culture enables the Board to oversee the Group's implementation of green development, employee care and corporate values, ensuring that the Company maintains responsible governance and creates long-term value during its expansion.

Directors' skills and experience ^{Note}:

	Strategic planning	Leadership	Industry knowledge and experience (precision manufacturing)	Accounting/ Finance/ Capital market knowledge	Risk management and compliance	Experience in the Mainland China market	Environmental, social and governance (ESG)
Zeng Guangsheng	V	V	V	V	V	V	V
Ng Hoi Ping	V	V	V	V	V	V	
Zeng Jing		V		V	V	V	
Chen Kuangguo	V	V		V	V	V	
Zhu Jianbiao	V	V	V	V	V	V	V
Yang Rusheng	V	V	V	V	V	V	
Cheung Chun Yue, Anthony	V	V		V	V		V
Percentage (out of all Directors)	85%	100%	57%	100%	100%	85%	43%

Note:

Category	Description
Strategic planning	Ability to identify strategic opportunities and threats, and formulate and drive the Company's long-term development goals
Leadership	Ability to lead the Company team, build a positive corporate culture, and effectively implement Board decisions
Industry knowledge and experience (precision manufacturing)	In-depth understanding of the precision manufacturing industry, including the market, technology and supply chain
Accounting/Finance/Capital market knowledge	Ability to read and understand complex financial statements, assess the Company's financial condition and oversee financial reporting processes, or experience in the capital market, including but not limited to securities, derivatives and/or commodities, asset management/private equity, investment banking and commercial banking
Risk management and compliance	Ability to identify, assess and manage business risks, and ensure the Company's compliance with applicable laws and regulations
Experience in the mainland China market	Knowledge and experience in business or operations in the mainland China, and/or experience in the mainland China market and business environment
Environmental, social and governance (ESG)	Understanding of ESG-related issues, and the ability to integrate them into the Company's strategy and operations

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Chairman and Chief Executive Officer

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zeng Guangsheng has assumed the roles of both Chairman of the Board and Chief Executive Officer of the Company since 29 October 2018. The Board believes that by assuming both roles, Mr. Zeng will be able to provide the Group with strong and consistent leadership, allowing for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company on the grounds that (i) Mr. Zeng and other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require that they act in the best interests of the Company; (ii) there is a check-and-balance mechanism within the Board which comprises executive directors and three independent non-executive directors of high caliber and diverse experience. Major decisions shall be approved by the majority of the Board members after thorough discussions and deliberations at the Board and senior management levels. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances and beneficial to the Group.

The code provision C.1.6 of the CG Code (which has been renumbered as code provision C.1.5 with effect from 1 July 2025) stipulates that independent non-executive director and other non-executive director should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chen Kuangguo, a non-executive Director and Mr. Yang Rusheng, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 16 May 2025 due to other engagement.

The code provision B.2.2 of the CG Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Executive Directors

Mr. Zeng Guangsheng and Mr. Ng Hoi Ping, being executive directors of the Company, have been appointed for a term of 3 years and should be subject to retirement by rotation and re-election provisions as set out in the Articles of Association of the Company.

THE BOARD (Continued)

Non-executive Directors

Ms. Zeng Jing and Mr. Chen Kuangguo, being non-executive directors of the Company, have been appointed for a term of 3 years and shall be subject to retirement by rotation and re-election provisions as set out in the Articles of Association of the Company (the “Articles of Association”).

Independent Non-executive Directors

Mr. Yang Rusheng, Mr. Cheung Chun Yue, Anthony and Mr. Zhu Jianbiao, who are independent non-executive directors, were appointed for an initial term of 1 year and shall be subject to retirement by rotation and re-election provisions as set out in the Articles of Association.

Re-election of Directors

In accordance with article 87 of the Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next general meeting after appointment.

Pursuant to article 87 of the Articles of Association, Mr. Cheung Chun Yue, Anthony, Ms. Zeng Jing and Mr. Chen Kuangguo shall retire by rotation and, being eligible, offer themselves for re-election at the 2026 annual general meeting.

The Board and the Nomination Committee of the Company recommended the re-appointment of these retiring directors standing for re-election at the 2026 annual general meeting. The Company’s circular contains detailed information of such retiring directors for re-election pursuant to the requirements of the Listing Rules will be published in due course.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Induction and Training and Continuing Professional Development of Directors

Each newly appointed director receives comprehensive induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2025, all Directors attended the anti-corruption training. The Company also provides training sessions to the middle managers to help them to perform their role. Training programs were implemented for all employees to develop the required competencies, and more broadly, the elements supporting a sound culture. Proper training (including integrity training) for the management and the employees likely to be exposed to risks of bribery and corruption, money laundering and financing of terrorism or non-compliance under the Prevention of Bribery Ordinance, and how they recognise and deal with them.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2025 is as follows:

Name of Directors	Nature of continuous professional development programmes
Executive Directors	
Mr. Zeng Guangsheng	A and B
Mr. Ng Hoi Ping	A and B
Non-Executive Directors	
Ms. Zeng Jing	A and B
Mr. Chen Kuangguo	A and B
Independent Non-Executive Directors	
Mr. Cheung Chun Yue, Anthony	A and B
Mr. Yang Rusheng	A and B
Mr. Zhu Jianbiao	A and B

Notes:

- A. Attending training sessions organized by the Company or professional organizations
- B. Perusing news updates and publications pertaining to the roles, functions and duties of a director

THE BOARD (Continued)

Corporate Culture and Strategy

The Board has acted a leading role in building the corporate culture of the Group and making the strategic direction, and enabled the Group to be committed to becoming a model of the high-precision industry, becoming a modern large-scale high-tech enterprise, with comprehensive strength among the forefront of precision manufacturing, and continuing to maintain leadership in the industry. To fulfill our vision, the Group is committed to:

1. Working closely with customers to promote mature scientific and technological achievements into the market through the wide application of high-precision technology in various industrial fields, thereby improving quality of our life.
2. Continuing to introduce international advanced machinery and technology, continue to carry out technological innovation, process innovation, market innovation and management innovation, and adhere to keeping pace with the times to ensure sustained growth of competitive advantage.
3. Developing our business quickly and steadily, achieve economies of scale, and improve profitability.
4. Continuing to promote research and development projects and become a solution provider for the pain points and difficulties in the industry. In addition to fulfilling our vision, the Company, with the mission of “Better Precision, Better Future”, has established our policy of progressing together with the times, creating value together with customers and developing together with employees.

With the assistance of human resources and administrative departments, the Board inculcates and promotes the following core values in our working force:

Core Values	
People	Innovation
People-oriented, sincere and united, dedicated, and forge ahead.	Innovation is the first driving force for development, and IPE's pace of innovation will never stop.
Environmental protection	Market orientation
Cherish resources, save energy and reduce consumption, and reduce waste.	The business is market-oriented and the operation is customer-centric.
Quality policies	Strategic objectives and operation philosophies
<ul style="list-style-type: none"> – Accumulate any improvement to achieve perfect quality. – Perseverance in service and excellence in quality. – Technology reflects our wisdom, and quality reflects our dignity. 	Be committed to becoming a one-stop supplier of internationally advanced precision manufacturing services and process solutions with the operation philosophy of “technology leads intelligent manufacturing, technology changes life”.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all directors and all of them have confirmed that they had complied with the Own Code and Model Code throughout the year ended 31 December 2025.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for governing the securities transactions by employees who are likely to possess inside information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for the dealings in the Company's securities, the Company will notify its directors and relevant employee in advance.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. During the year ended 31 December 2025, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Own Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board confirmed that corporate governance should be the collective responsibility of the Board (or its committees), which includes at least:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;
- (d) to develop and review the Company's corporate governance policies and practices, make recommendations and report on related issues to the Board; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE BOARD (Continued)

Board Independence

The Company recognises that Board independence is vital in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board to enhance a fair and an effective decision making.

- (i) at least one-third of Board members are independent non-executive Directors;
- (ii) independent non-executive Directors possess professional knowledge and broad experience;
- (iii) no independent non-executive Director has served our Company for more than nine years;
- (iv) no independent non-executive Director holds more than six listed company directorships to ensure each of them has adequate time to make contributions to the Board;
- (v) every independent non-executive Director has made an annual confirmation of his independence to our Company; and
- (vi) our Board, each of its Board committees or every Director is able to seek professional advice in appropriate circumstances at our Company's expenses.

The implementation and effectiveness of the above mechanisms are reviewed on an annual basis and considered that such mechanisms had been implemented properly and effectively during the year.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Attendance Records of Directors and Committee Members

Board Meetings

The Board meets regularly and the board meetings hold at least four times a year at approximately quarterly intervals. Notices of at least fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers, will be sent in full, to the Directors or Board committee members no more than three days before the meetings to ensure that all directors adequately prepare for each meeting.

Minutes of board meetings and meeting of board committees are kept by the company secretary of our Company and open for inspection at any reasonable time upon the request of each Director. Minutes of our Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns/queries raised by the Directors. Draft and final minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

The attendance records of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2025 are set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee	Annual General Meeting
Mr. Zeng Guangsheng	4/4	–	1/1	1/1	2/2	1/1
Mr. Ng Hoi Ping	4/4	–	–	–	–	1/1
Ms. Zeng Jing ^(note)	4/4	–	–	0/1	–	1/1
Mr. Chen Kuangguo	4/4	–	–	–	–	0/1
Mr. Yang Rusheng	3/4	2/3	1/1	1/1	2/2	0/1
Mr. Cheung Chun Yue, Anthony	4/4	3/3	1/1	1/1	2/2	1/1
Mr. Zhu Jianbiao	4/4	3/3	1/1	1/1	2/2	1/1

Notes: Ms. Zeng Jing appointed as a member of the nomination committee of the Board on 30 June 2025. Before her appointment, 1 Nomination committee meeting was held during the year ended 31 December 2025.

In addition, the Chairman of the Board also held a meeting with the independent non-executive directors without the presence of other directors during the year.

BOARD COMMITTEES

The Board has established 5 Board committees, namely, the Executive Committee, Remuneration Committee, Audit Committee, Nomination Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website "www.ipegroup.com" and on the Stock Exchange's website "www.hkexnews.hk" (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

Executive Committee

The Executive Committee currently comprises a total of 2 members, namely, Mr. Zeng Guangsheng (Chairman) and Mr. Ng Hoi Ping who are both executive directors of the Board. The main duties of the Executive Committee include monitoring the execution of the Group's strategic plans and operations of all business units of the Group and discussing and making decisions on matters relating to the day-to-day management and operations of the Group.

Remuneration Committee

The Remuneration Committee currently comprises a total of 4 members, being 1 executive director, namely, Mr. Zeng Guangsheng; and being 3 independent non-executive directors, namely, Mr. Yang Rusheng, Mr. Cheung Chun Yue, Anthony (Chairman) and Mr. Zhu Jianbiao; Accordingly, the majority of the members are independent non-executive directors.

The main duties of the Remuneration Committee are to (i) make recommendations to the Board on the remuneration packages of directors and senior management and the remuneration policy and structure for all directors and senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code was adopted) and (ii) establish transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration; and (iii) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management assessing performance of executive directors.

During the year ended 31 December 2025, the Remuneration Committee performed the following major tasks:

- Review and discussion of the remuneration policy of the Group and the remuneration packages of directors and senior staff of the Group;
- Review and approval of the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- Review and/or approval of matters relating to share schemes under Chapter 17 of the Listing Rules; and
- Performance of the Remuneration Committee's other duties under the CG Code.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

Pursuant to the code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2025 is set out below:

Remuneration	Number of individuals
Nil to HK\$1,000,000	7
HK\$1,000,001 to HK\$2,000,000	3
HK\$2,000,001 to HK\$3,000,000	2

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2025 are set out in note 7 to the consolidated financial statements in this annual report.

Audit Committee

The Audit Committee currently comprises a total of 3 members, namely, Mr. Yang Rusheng (Chairman), Mr. Cheung Chun Yue, Anthony and Mr. Zhu Jianbiao. All of the members are independent non-executive directors, with at least one independent non-executive director possessing the appropriate professional qualifications and accounting and related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and internal audit function and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2025, the Audit Committee performed the following major tasks:

- Review and discussion of the annual financial results and report for the year ended 31 December 2025 and interim financial results and report for the six months ended 30 June 2025;
- Review of the scope of audit work, auditors' fees and terms of engagement for the year ended 31 December 2025;
- Discussion and recommendation of the re-appointment of the external auditors;

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

- Review of the risk management and internal control systems, and the effectiveness of the internal audit function;
- Review of the arrangements for employees to raise concerns about possible improprieties; and
- Performance of the Audit Committee's other duties under the CG Code.

The external auditors were invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there was no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Nomination Committee

The Nomination Committee currently comprises a total of 5 members, being 1 executive director, namely, Mr. Zeng Guangsheng (Chairman); 1 non-executive director, namely Ms. Zeng Jing; and 3 independent non-executive directors, namely, Mr. Yang Rusheng, Mr. Cheung Chun Yue, Anthony and Mr. Zhu Jianbiao. Accordingly, the majority of the members are independent non-executive directors. The main duties of the Nomination Committee are to (i) review the Board composition and board performance evaluation, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the rotation, appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors.

During the year ended 31 December 2025, the Nomination Committee performed the following major tasks:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;
- Recommendation of the re-appointment of those directors standing for re-election at the 2025 annual general meeting of the Company;
- Assessment of the independence of all the independent non-executive directors of the Company; and
- Nomination Committee's other duties under the CG Code.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Diversity of the Board

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining the Company's competitive advantage. Pursuant to the Board Diversity Policy adopted by the Company, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. Currently, among all seven members of the Board, one is female (i.e. Ms. Zeng Jing). Given the current composition of the Board, the Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of gender, knowledge, experience and skills of the directors.

Gender diversity of senior management and employees

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered and ensure that gender diversity is taken into account when recruiting staff members of mid to senior level. During the year under review, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

As at the end of 2025, the Group had 792 female employees, accounting for 37.4% of total employees, and 1,325 male employees, accounting for 62.6% of total employees. The gender ratio of male to female in the workforce of the Group including senior management and other employees was approximately 1:0.60. The Company considers that it has met the objective in gender diversity to achieve gender balance in key roles.

BOARD COMMITTEES (Continued)

Gender diversity of senior management and employees (Continued)

During the year under review, the Nomination Committee had, in accordance with the Director Nomination Policy of the Company, considered criteria set out therein for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company. The Nomination Committee adopted the following procedures and process set out in the Director Nomination Policy to select and recommend candidates for directorship during the year:

(i) Appointment of new directors:

- Potential candidates were identified through various channels, such as internal promotion, redesignation, referral by other member of the management, and external recruitment agents;
- Evaluating the candidates based on the criteria aforementioned;
- Ranking the candidates by order of preference based on the needs of the Company and conducting reference check of each candidate; and
- Making recommendation to the Board for the appointment of the appropriate candidate for directorship.

(ii) Re-election of directors at general meeting:

- Reviewing the overall contribution and service of the retiring director to the Company and his/her level of participation and performance on the Board;
- Reviewing whether the retiring director continues to meet the criteria aforementioned or not; and
- Making recommendation to the Board for its subsequent recommendation to shareholders in respect of the proposed re-election of the director at the general meeting.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Environmental, Social and Governance Committee (“ESG Committee”)

The Company has a heritage of strong commitment to the long-term sustainability of the business. On 25 November 2019, the Company established its ESG Committee to further strengthen its risk management and proactively fulfill its social responsibility. The ESG Committee comprises 4 members, being an executive director, namely Mr. Zeng Guangsheng, and being 3 independent non-executive directors, namely, Mr. Cheung Chun Yue, Anthony (the Chairman), Mr. Yang Rusheng and Mr. Zhu Jianbiao.

The primary duties of the ESG Committee are to (i) formulate and review the Group’s responsibilities, visions, strategies, frameworks, principles and policies of environmental, social & governance and implement relevant policies approved by the Board; (ii) set relevant policy targets, key performance indicators and measures that align with the Group’s business model and effectively monitor the progress; (iii) identify issues related to the area of environmental, social & governance arising from external factors; (iv) review and monitor environmental, social & governance policies to ensure their continued effectiveness; (v) monitor staff training related to issues of environmental, social & governance; (vi) approve the Environmental, Social and Governance Report and report to the Board; and (vii) report any new development of matters with its terms of reference to the Board when necessary.

During the year ended 31 December 2025, the ESG Committee performed the following major tasks:

- Review of the Company’s and its subsidiaries’ responsibilities, visions, strategies, frameworks, principles and policies of ESG;
- Monitor the Group’s progress on decarbonisation and energy efficiency, green manufacturing, and employee development;
- Strengthened oversight of ESG data management and disclosure transparency to encourage more informed decision-making;
- Reviewed ESG targets, key performance indicators and a number of ESG priorities, including continuous improvement of the environmental management of safety culture, and implementation of energy conservation initiatives; and
- Performance of ESG Committee’s other duties under the CG Code.

DIRECTORS’ RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval. The statement of the external auditors of the Company about their reporting responsibilities for the Company’s financial statements for the year ended 31 December 2025 is set out in the section headed “Independent Auditor’s Report” in this annual report. The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for evaluating and determining the nature and extent of risk it is willing to take in achieving the Group's strategic objectives, as well as ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation, and monitoring the risk management and internal control systems. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness, and ensures that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for each financial year will be conducted at least annually. However, such risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements or losses.

The Company has established a whistleblowing policy and system for employees and those who deal with the Company to raise concerns confidentially and anonymously with the Audit Committee about possible improprieties in any matters related to the Company. The Company has also established policies and systems that promote and support anti-corruption laws and regulations.

The Board and the Audit Committee also confirmed that they have reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025, which covered all material controls, including financial, operational and compliance controls. The Company's procedures and process involved in the risk management and internal control mainly included:

- (1) Risk identification: A list of risks was created after the scope of risks was determined and risks were identified.
- (2) Risk assessment: Based on the impacts and the possible occurrence of various potential risks with reference to the risk rating methods determined by the management of the Group, the priority of the risks was determined.
- (3) Risk control: The efficiency of internal controls over the risks identified were assessed, in order to keep the risks within the risk tolerance of each aspect.
- (4) Risk reporting: The reports of assessment results with respect to risk management and internal control were submitted to the management and the Board on a regular basis.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The Group established the internal audit function, and appointed relevant personnel to be responsible for identifying and assessing the risks and internal controls with respect to daily operation of the group and its subsidiaries, reporting the assessment results and subsequent action to the Board. Besides, the management of the Group appointed a professional consulting firm to assist the Group in reviewing the efficiency of risk management and internal controls over material business processes from time to time, and implemented measures to address the weakness identified by the consulting firm.

The Company adopted a disclosure policy which provides a general guide to its directors, senior management and employees on the handling and dissemination of inside information and responding to enquiries in accordance with the inside information provisions under Part XIVA of the Securities and Futures Ordinance and the Listing Rules.

The Group has strictly prohibited unauthorized use of confidential or inside information and has a system of internal procedures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities.

The Board believes the risk management and internal control systems are effective and adequate upon reviewing their effectiveness. The Board has received confirmation from management on the effectiveness of the issuer's risk management and internal control systems. The Board will continue to improve and monitor the effectiveness of the risk management and internal control systems.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The fees paid/payable to the Group's external auditors in respect of audit services and non-audit services for the year ended 31 December 2025 are analyzed below:

Type of services provided by the external auditors	Fees paid (HK\$'000)
Audit services:	
Audit fees for the year ended 31 December 2025	1,525
Non-audit services:	
Review of the result announcement and attending the Annual General Meeting	25

COMPANY SECRETARY

During the year ended 31 December 2025, Mr. Tam Yiu Chung, the Company Secretary, took no less than 15 hours of relevant professional training. Biographical details of Mr. Tam are set out in the section headed “Directors and Senior Management” in this annual report.

SHAREHOLDERS’ RIGHT

To safeguard shareholders’ interests and rights, separate resolutions are proposed at shareholders’ meetings on each substantial issue, including the election of individual directors, for shareholders’ consideration and voting. Besides, the Company’s shareholders may convene an extraordinary general meeting or put forward proposals at shareholders’ meetings pursuant to the Articles of Association as follows:

- (i) Any one or more shareholders 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, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.
- (ii) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected together with the required information under Rule 13.51(2) of the Listing Rules. These notices should be lodged at the Company’s head office in Hong Kong or the Company’s registration office (i.e. Computershare Hong Kong Investor Services Limited) at least 7 days prior to the date of the general meeting. If the notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company’s head office in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders’ information may be disclosed as required by law.

All resolutions proposed at shareholder meetings (save for those related purely to a procedural or administrative matter which may be voted by a show of hands) will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ipegroup.com) respectively immediately after the relevant general meetings.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT (Continued)

Communications with shareholders and investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

To promote effective communication, the Company's website at "www.ipegroup.com" serves as a communication platform for shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Unit 5–6, 23/F, Enterprise Square Three
39 Wang Chiu Road, Kowloon Bay, Kowloon Hong Kong
(For the attention of the Chairman of the Board)

Fax: (852) 2688 6155

Email: ipehk@ipehk.com.hk

The Company continues to enhance communications and relationships with its shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from shareholders and investors are dealt with in an informative and timely manner.

In addition, the general meetings of the Company provide a good opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available to answer questions at the annual general meeting and other shareholders' meetings.

INVESTOR RELATIONS

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Company keeps the shareholders updated on the recent development of the Company by maintaining and updating, from time to time, its website at www.ipegroup.com, where the up to date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

The Board reviews the shareholders' communication policy during the year and considers that the policy is effective since the listing up to 31 December 2025 since all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner since its listing.

BOARD COMPOSITION, SUCCESSION AND EVALUATION

During the year ended 31 December 2025, the Board conducted a formal performance evaluation in accordance with the Company's established evaluation framework and the CG Code as set out in Appendix C1 to the Listing Rules. The Board performance evaluation was handled and facilitated by an external service provider to ensure objectivity and independence.

The evaluation was conducted by way of confidential questionnaires completed by all Directors and covered the effectiveness of the Board and its committees. The assessment scope included Board composition and skills, Board culture and dynamics, Board practices, the quality and timeliness of information provided to the Board, the conduct of Board meetings, compliance and training, risk management and internal controls, and stakeholder engagement.

The evaluation concluded that the Company's corporate governance framework remains sound and effective. The Board was assessed to be operating with a constructive and professional culture, supported by well organised meetings and timely, comprehensive Board papers, which facilitate informed decision making and effective oversight.

The evaluation also identified areas for further enhancement, including strengthening Board diversity, preparing and disclosing a Board skills matrix, and refining independent non-executive director tenure and succession planning. The Board has agreed to address these matters through appropriate follow-up actions.

The Board considers that the Company has a strong governance foundation and an effective Board. The Board will continue to conduct periodic performance evaluations, handled by external service providers where appropriate, in accordance with the Listing Rules and the CG Code, with a view to strengthening Board independence, transparency and effectiveness and supporting long-term sustainable value creation for shareholders.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and subject to the Articles of Association of the Company, all applicable laws and regulations, and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. No dividend shall be declared in excess of the amount recommended by the Board. The Company does not have any pre-determined dividend payout ratio. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. We do not have a fixed dividend payout ratio.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any change to its Articles of Association. The third amended and restated memorandum and articles of association of the Company (the "Memorandum and Articles of Association") is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Memorandum and Articles of Association for further details of the rights of the Shareholders.

REPORT OF THE DIRECTORS

The board of directors (the “Board”) of IPE Group Limited (the “Company”) is pleased to present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the production of computer numerical control lathes and manufacturing and sale of high precision metal components products. Further details of the Group’s principal activities and particulars of the Company’s principal subsidiaries as at 31 December 2025 are set out in note 13 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the Group’s principal activities during the year.

CORPORATE CULTURE AND STRATEGY

The Corporate Culture of the Group are set out in the corporate governance report on page 33.

MAJOR RISKS AND UNCERTAINTIES

The Directors are aware that the Group’s financial position, operating results and business outlook may be subject to many risks and uncertainties directly or indirectly relating to the business of the Group, and have put in place the relevant policies to ensure continuous identification and management of the adverse impacts such risks might have on the Group. The major risks and uncertainties currently facing by the Group are set out below:

1. Metal costs fluctuation

Metal is the major raw material the Group used in its production. Substantial part of the product costs come from metal cost. Fluctuation of metal price may affect the Company’s competitiveness and profitability level.

2. Shortage of skilled labor

The production of high precision metal components needs skilled & trained engineers. This shortage can be attributed to several factors, such as an aging population, working environment & recent trend of labour market. Besides that, the cost of skilled labor is influenced by various factors, such as the demand and supply of labor, relevant labour laws and regulations and economic factors like inflation and standard of living. In particular, a shortage of skilled labor or growing industry demands for skilled labour may lead to an increase in this costs. It’s uncertain whether the supply of skilled workers will remain stable, and labor costs may continue to rise. Consequently, the Group is exposed to risks related to skilled labor supply and associated costs.

3. Uncertainties in financial market

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risk are set out in note 27 to consolidated financial statements in this annual report.

4. Policy Risk of the US

The China-US trade war has introduced significant policy risks for businesses. Additional tariffs on Chinese imports have increased costs and reduced order demand. Inconsistencies in tariff policies, especially during Trump’s administration, create an unpredictable environment. This uncertainty complicates operational decisions and long-term planning, as companies must adapt their supply chains and sales strategies. Ultimately, businesses face challenges in navigating these fluctuations, requiring strategic approaches to mitigate risks effectively.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business can be found in the Chairman's Statement and Management Discussion and Analysis contained in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental and social sustainable development in the long term. For the year ended 31 December 2025, the Group strictly complied with all applicable environmental and social laws, regulations, and standards. Technological advancement, especially the newly deployed industrial robots and operation automation, continues to assist the Group to build long-term business resilience. Specifically, the Group continues to improve operational efficiency with the aims to further reduce resource consumption and prevent workplace injuries. Engagement with stakeholders has resulted in raised concerns on various material issues, which include occupational health and safety, product/service quality, data protection, labor standards and development and training. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing management on environmental, social and governance.

More details of the Company's environmental policy and performance are available in the Environmental, Social and Governance Report published on the websites of the Company (www.ipegroup.com) and the Stock Exchange (www.hkexnews.hk).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, including but not limited to the Companies Act of the Cayman Islands, the Company Law of the People's Republic of China, Companies Ordinance, Securities and Futures Ordinance ("SFO"), the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and other laws and regulations as stated in the Environmental, Social and Governance Report published on the websites of the Company (www.ipegroup.com) and the Stock Exchange (www.hkexnews.hk).

REPORT OF THE DIRECTORS

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group strives to maintain a good relationship with its employees, customers, suppliers and other key stakeholders in the course of achieving its long-term business development goals. Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. The Group has formally established a labour union, to which all qualified staff are encouraged to join for collective bargaining.

Employees are encouraged to participate in various volunteering activities for the community. The Group adopts strict quality management and control process in every aspect of its business operation in order to ensure that products delivered to its customers are of the highest possible quality. The Group has management procedure to evaluate, manage, control and monitor the business operations of suppliers. When evaluating suppliers, the Group specifically considers their environmental and social performance. It also conducts regular inspections to suppliers to ensure that they have implemented safety management required. The Group engages with the above and other key stakeholders through daily interactions and works closely with them to understand their needs, concerns, motivations, and objectives, accommodating them where reasonable and justifiable. Key stakeholders continue to be involved in regular engagement sessions to discuss and to review areas of attention via various communication channels such as reviewing employees' performance, holding shareholder meetings, sending company letters, disclosing on company websites, and conducting regular electronic and business meetings with suppliers and customers. More details about the Company's relationships with its employees, customers and suppliers and others that have significant impact on the Company and on which the Company's success depends are available in the Environmental, Social and Governance Report published on the websites of the Company (www.ipegroup.com) and the Stock Exchange (www.hkexnews.hk).

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2025 and the Group's financial position as at 31 December 2025 are set out in the consolidated financial statements on pages 73 to 76 of this annual report.

The Board have recommended the payment of final dividend of HK2.8 cents per ordinary share for the year ended 31 December 2025 to shareholder on the Register of Members on 15 June 2026 (2024:Nil) (the "Proposed Final Dividend"). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 5 June 2026 (the "2026 AGM"), the said final dividend will be paid in cash on 30 June 2026. Details of dividends for the year ended 31 December 2025 are set out in note 26(b) to the consolidated financial statements in this annual report.

CHARITABLE CONTRIBUTIONS

For the year ended 31 December 2025, the Group made charitable contributions totaling HK\$8,064 (2024: HK\$53,469).

BANK AND OTHER LOANS

Details of bank and other loans of the Group are set out in note 21 to the consolidated financial statements in this annual report.

PRINCIPAL PROPERTIES

Details of principal properties held for own use and investment purposes are set out in note 10 to the consolidated financial statements in this annual report.

SHARES ISSUED IN THE YEAR

As at 31 December 2025, the total number of issued shares of the Company was 1,052,254,135. No share was issued for the year ended 31 December 2025.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution to the shareholders of the Company (the "Shareholders"), calculated in accordance with the provisions of the Companies Acts of the Cayman Islands, amounted to HK\$1,242,701,000 (2024: HK\$1,246,508,000).

The Company's share premium account and contributed surplus, amounting to HK\$462,243,000 as at 31 December 2025 (2024: HK\$462,243,000), may be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company is in a position to pay off its debts as and when they fall due in the ordinary course of business.

DEBENTURES ISSUED IN THE YEAR

The Group did not issue any debentures for the year ended 31 December 2025.

EQUITY LINKED AGREEMENT

Saved as the information disclosed under the section headed "Share Option Schemes" in this report of the directors and in note 24 to the consolidated financial statements of this annual report, the Company did not enter into any equity-linked agreement for the year, nor was there any equity-link agreement entered into by the Company subsisting as at 31 December 2025.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Act of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 10 to 13 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares, if any) listed on the Stock Exchange during the year ended 31 December 2025. As of 31 December 2025, the Company did not hold any treasury shares.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

The share option scheme adopted pursuant to a resolution passed by the then Shareholders on 17 May 2011 (the “2011 Share Option Scheme”) had expired on 17 May 2021. In light of the expiry of the 2011 Share Option Scheme and in order to enable the Board to continue providing incentives and rewards to the eligible persons, a new share option scheme was adopted by the Shareholders at the extraordinary general meeting of the Company held on 14 January 2022 (the “2022 Share Option Scheme”). All terms of the 2011 Share Option Scheme and 2022 Share Option Scheme must comply with the requirements under Chapter 17 of the Listing Rules which took effect on 1 January 2023. Both share options schemes are governed by Chapter 17 of the Listing Rules effective from 1 January 2023.

The 2011 Share Option Scheme

Purpose of the 2011 Share Option Scheme

The purpose of the 2011 Share Option Scheme is to provide incentives or rewards to the participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the “Invested Entity”).

Participants of the 2011 Share Option Scheme

Eligible participants of the 2011 Share Option Scheme included:

- (a) any eligible employee;
- (b) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or the Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity

The basis of eligibility of any of the above classes of Participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and the Invested Entity.

With effect from 1 January 2023, the eligible participants should be subject to the requirement under Chapter 17 of the Listing Rules.

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

Total number of shares available for issue under the 2011 Share Option Scheme and percentage of issued shares as at the date of this annual report

The 2011 Share Option Scheme expired on 17 May 2021. As at the date of this annual report, the total number of shares available for issue under the 2011 Share Option Scheme is zero.

Maximum entitlement of each participant under the 2011 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2011 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit").

Any further grant of options to a participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted to such participant must be fixed before Shareholders' approval and the date of the meeting of the Board for proposing such further grant of option should be taken as the date of offer for the purpose of calculating the exercise price.

No further options have been issued under 2011 Share Option Scheme since its expiry on 17 May 2021.

The period within which the option may be exercised by the grantee under the 2011 Share Option Scheme

An option may be exercised in accordance with the terms of the 2011 Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee, which period may commence on the day on which the offer is made but shall end in any event not later than 10 years from the offer date subject to the provisions for early termination thereof (the "Option Period").

Unless the Board otherwise determined and stated in the offer to a participant, there is no minimum period for which an option granted under the 2011 Option Scheme must be held before it can be exercised.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

The vesting period of options under the 2011 Share Option Scheme

The vesting period of options granted are set out in the below table on page 55.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

An offer may be accepted by a Participant within 28 days from the Offer Date. A consideration of HK\$1 is payable on acceptance of the offer.

The basis of determining the exercise price of options granted

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the Offer (which shall be stated in the letter containing the offer) but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a share.

Without prejudice to the generality of the foregoing, the Board may grant options in respect of which the exercise price is fixed at different prices for different periods during the Option Period provided that the exercise price for each of the different periods shall not be less than the exercise price determined in the manner set out herein.

The remaining life of the 2011 Share Option Scheme

The 2011 Share Option Scheme was valid and effective for a period of ten years, commencing from 17 May 2011 and expired on 17 May 2021. As at the date of this report, the 2011 Share Option Scheme has expired.

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

The remaining life of the 2011 Share Option Scheme (Continued)

Details of options granted to participants under the 2011 Share Option Schemes:

Name or category of participants	Date of grant	Number of share options movement during the year							Price of share			
		As at 01/01/2025	Granted	Exercised	Cancellation	Lapsed	As at 31/12/2025	Vesting period	Exercise period	Exercise Price/ Purchase Price HK\$	Prior to the grant date of the share options ⁽¹⁾	Prior to the exercise date of the share options ⁽²⁾
Directors, chief executive and a substantial shareholder and their associates												
Mr. Ng Hoi Ping												
Tranche 1	03/04/2020	10,000,000	-	-	-	-	10,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
Ms. Zeng Jing												
Tranche 1	03/04/2020	5,000,000	-	-	-	-	5,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
Mr. Chen Kuangguo												
Tranche 1	03/04/2020	5,000,000	-	-	-	-	5,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
Directors with options granted and to be granted in excess of the 1% individual limit												
Mr. Zeng Guangsheng												
Tranche 1	03/04/2020	20,000,000	-	-	-	-	20,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
Other employee participants												
Tranche 1	03/04/2020	10,200,000	-	-	-	1,200,000	9,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
Tranche 2	10/05/2021	1,700,000	-	-	-	-	1,700,000	10/05/2021 to 31/03/2022	01/04/2022 to 28/02/2026	0.900	0.700	-
Other service providers ⁽³⁾												
Tranche 1	03/04/2020	2,000,000	-	-	-	-	2,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	-
		53,900,000	-	-	-	1,200,000	52,700,000					

Notes:

- (1) The closing price of the shares immediately before the date on which the options were granted.
- (2) The stated price was the weighted average closing price of the ordinary shares immediately before the date on which the share options were exercised. No options were exercised for the year ended 31 December 2025.
- (3) No sublimit was provided for service providers under the 2011 Share option Scheme which was expired before 1 January 2023.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme

Purpose of the 2022 Share Option Scheme

The purpose of the 2022 Share Option Scheme is to provide incentives or rewards to the participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Participants of the 2022 Share Option Scheme

Eligible participants of the 2022 Share Option Scheme included:

- an eligible employee; and
- a non-executive director (including independent non-executive directors) of the Company or any of its subsidiaries

The eligibility of the participants to grant of any option shall be determined by the Board from time to time and on a case-by-case basis subject to the Board's opinion as to, among others, the participant's contribution or potential contribution to the development and growth of the Group.

Total number of shares available for issue under the 2022 Share Option Scheme and percentage of issued shares as at the date of this annual report

As at the date of this annual report, the total number of shares available for issue under the 2022 Share Option Scheme is 54,225,413, representing 5.15% of the Company's issued ordinary shares.

Maximum entitlement of each participant under the 2022 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2022 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the separate Shareholders' approval in general meeting of the Company with such participant and his close associates abstaining from voting. If the grantee is a connected person of the Company, his associates shall abstain from voting.

The Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information as required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted to such participant must be fixed before Shareholders' approval and the date of the meeting of the Board for proposing such further grant of option should be taken as the date of offer for the purpose of calculating the exercise price.

Granting of share options to each participant under the 2022 Share Option Scheme is governed by Chapter 17 of the Listing Rules effective from 1 January 2023.

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme (Continued)

The period within which the option may be exercised by the grantee under the 2022 Share Option Scheme

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each Grantee, which period may commence on the day on which the Offer is made but shall end in any event not later than 10 years from the Offer Date subject to the provisions for early termination thereof.

Unless the Directors otherwise determined and stated in the offer to a participant, there is no minimum period for which an option granted under the 2022 Share Option Scheme must be held before it can be exercised.

The vesting period of options under the 2022 Share Option Scheme

The vesting period of options granted are set out in the below table on page 58.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

An offer may be accepted by a participant within 28 days from the offer date. A consideration of HK\$1 is payable on acceptance of the offer.

The basis of determining the exercise price of options granted

The exercise price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer (which shall be stated in the letter containing the offer) but in any case the exercise price shall not be lower than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date; and (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Board may grant options in respect of which the exercise price is fixed at different prices for different periods during the option period provided that the exercise price for each of the different periods shall not be less than the Subscription Price determined in the manner set out herein.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme (Continued)

The remaining life of the 2022 Share Option Scheme

The 2022 Share Option Scheme was valid and effective for a period of ten years, commencing from 14 January 2022. The remaining life of the 2022 Share Option Scheme is approximately six years and nine months.

Details of options granted to participants under the 2022 Share Option Schemes:

Name or category of participants	Date of grant	Number of share options movement during the year							Price of share			
		As at 01/01/2025	Granted	Exercised	Cancellation	Lapsed	As at 31/12/2025	Vesting period	Exercise period	Exercise Price/ Purchase Price HK\$	Prior to the grant date of the share options ⁽¹⁾	Prior to the exercise date of the share options ⁽²⁾
Directors, chief executive and a substantial shareholder and their associates												
Mr. Zeng Guangsheng												
Tranche 1	17/03/2022	35,000,000 ⁽⁴⁾	-	-	-	-	35,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	-
Mr. Ng Hoi Ping												
Tranche 1	17/03/2022	5,000,000 ⁽⁴⁾	-	-	-	-	5,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	-
Directors with options granted and to be granted in excess of the 1% individual limit												
Ms. Zeng Jing												
Tranche 1	17/03/2022	5,000,000 ⁽⁴⁾	-	-	-	-	5,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	-
Other employee participants												
Tranche 1	17/03/2022	4,200,000 ⁽⁴⁾	-	-	-	-	4,200,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	-
Tranche 2	07/07/2023	1,000,000 ⁽⁴⁾⁽⁵⁾	-	-	-	-	1,000,000	07/07/2023 to 06/07/2024	07/07/2024 to 06/07/2029	0.900	0.500	-
		50,200,000	-	-	-	-	50,200,000					

Notes:

(4) No performance target is required to be achieved.

(5) The fair value of the options granted on 7 March 2023 was determined at the date of grant using the binomial option pricing model and was approximately HK\$141,720.

SHARE OPTION SCHEMES (Continued)

Number of options available for grant

Under the 2011 Share Option Scheme, number of options available for grant as at 1 January 2025 and 31 December 2025 are as follows:

	1 January 2025	31 December 2025
Share options		
Under the mandate limit ⁽¹⁾	0	0
Under the sublimit for service providers ⁽¹⁾	0	0

Under the 2022 Share Option Scheme, number of options available for grant as at 1 January 2025 and 31 December 2025 are as follows:

	1 January 2025	31 December 2025
Share options		
Under the mandate limit	54,225,413	54,225,413
Under the sublimit for service providers	0	0

Note: ⁽¹⁾ The 2011 Share Option Scheme expired on 17 May 2021. No further options available to be granted since its expiry.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 24 to the consolidated financial statements respectively.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company for the year ended 31 December 2025 and up to the date of this report, were:

Executive directors:

Mr. Zeng Guangsheng
Mr. Ng Hoi Ping

Non-executive directors:

Ms. Zeng Jing
Mr. Chen Kuangguo

Independent non-executive directors:

Mr. Yang Rusheng
Mr. Cheung Chun Yue, Anthony
Mr. Zhu Jianbiao

According to Article 87 of the Articles of Association, Mr. Cheung Chun Yue, Anthony, Ms. Zeng Jing and Mr. Chen Kuangguo shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "2026 AGM").

All of the above retiring directors, being eligible, will offer themselves for re-election at the 2026 AGM.

Ms. Zeng Jing and Mr. Chen Kuangguo are non-executive directors and were appointed for three-year terms.

Mr. Cheung Chun Yue, Anthony, who is independent non-executive directors, were appointed for an initial term of 1 year and shall be subject to retirement by rotation and re-election provisions as set out in the Articles of Association.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

No director proposed for re-election at the 2026 AGM has a service contract or a letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business to the Group to which the holding company of the Company, or any of the Company's subsidiaries were a party for the year ended 31 December 2025.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had 2,117 employees (2024: 2,173), including the Directors. The Directors and senior management received compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of the Group. When reviewing and determining the specific remuneration package for the Directors and senior management, the Company took into consideration factors such as, among other things, the economic situation, the market level of salaries paid by comparable companies, the respective responsibilities and duties of the individual and the performance of the individual and the Group. The remuneration committee of the Board has been set up for reviewing the Group's emolument policy and structure for the remuneration of the Directors.

The Group's remuneration to employees included salaries and allowances.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended 31 December 2025.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the year and as at the date of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling Shareholders and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year and up to the date of this report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects were, or one of whose objects was, to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF 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, underlying shares and debentures of the Company and its associates (within the meaning of Part XV of the Securities of Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) (i) Long positions in the shares and underlying shares of equity derivatives of the Company:

Name of director	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital ⁽¹⁾
Mr. Zeng Guangsheng	Directly beneficially owned	100,000,000	9.50%

⁽¹⁾ The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2025.

(ii) Long positions in the underlying shares of Company – physically settled unlisted equity derivatives:

Name of director	Capacity and nature of business	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital as at 31 December 2024 ⁽¹⁾
Mr. Zeng Guangsheng	Directly beneficially owned	100,000,000	9.50%
	Directly beneficially owned	55,000,000 ⁽²⁾	5.23%
	Total:	155,000,000	14.73%
Mr. Ng Hoi Ping	Directly beneficially owned	15,000,000 ⁽²⁾	1.43%
Ms. Zeng Jing	Directly beneficially owned	10,000,000 ⁽²⁾	0.95%
Mr. Chen Kuangguo	Directly beneficially owned	5,000,000 ⁽²⁾	0.48%

⁽¹⁾ The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2025.

⁽²⁾ Details of the above share options granted by the Company are set out in the section headed "Share option scheme" above and note 24 to the consolidated financial statements in this annual report.

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

(B) Long positions in the ordinary shares of the associated corporation – China Baoan Group Co., Ltd. 中國寶安集團股份有限公司 (“China Baoan Group”), the Company’s holding company

Name of director	Capacity and nature of interest	Number of ordinary shares in China Baoan Group	Percentage of China Baoan Group’s issued share capital
Mr. Zeng Guangsheng	Directly beneficially owned	672,906	0.03%

Saved as disclosed above, as at 31 December 2025, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 December 2025, as far as the directors of the Company are aware, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of substantial shareholder	Notes	Capacity and nature of interests	Number of ordinary shares in the Company ^(#)	Percentage of the Company's issued share capital at 31 December 2025 ^(*)
Baoan Technology Company 寶安科技有限公司 ("Baoan Technology")		Directly beneficially owned	577,281,250	54.86%
China Baoan Group Co., Ltd. 中國寶安集團股份有限公司 ("China Baoan Group")	(a)	Through controlled corporation	577,281,250	54.86%
Tottenham Limited		Directly beneficially owned	58,061,975	5.52%
Mr. Chui Siu On	(b)	Through controlled corporation	58,061,975	5.52%
		Directly beneficially owned	14,458,750	1.37%
	(c)	Through spouse	125,000	0.01%
		Total:	72,645,725	6.90%
Ms. Leung Wing Yi		Directly beneficially owned	125,000	0.01%
	(d)	Through spouse	72,520,725	6.89%
		Total:	72,645,725	6.90%

^(*) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2025.

^(#) Pursuant to Part XV of the SFO, the shareholders of the Company are required to file disclosure of interests forms to the Stock Exchange when certain criteria are fulfilled. When shareholding of the shareholder in the Company changes, it is not necessary to notify the Company or the Stock Exchange unless certain criteria are fulfilled. Therefore, the shareholdings filed with the Stock Exchange may be different from the latest shareholding of the shareholders of the Company.

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

Notes:

- (a) These shares were held by Baoan Technology. Baoan Technology is a wholly owned entity of China Baoan Group. Accordingly, China Baoan Group was deemed to be interested in the 577,281,250 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.
- (b) These shares were held by Tottenham Limited. Tottenham Limited is wholly owned by Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in the 58,061,975 shares of the Company owned by Tottenham Limited pursuant to Part XV of the SFO.
- (c) These shares were held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in these 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.
- (d) These shares were held by Mr. Chui Siu On, the husband of Ms. Leung Wing Yi. Accordingly, Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.

Saved as disclosed above, as at 31 December 2025, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed for the year ended 31 December 2025.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 17.2% (2024:18.6%) of the total sales for the year and the sales to the largest customer included therein amounted to 4.7% (2024: 4.5%). Purchases from the Group's five largest suppliers accounted for 22.1% (2024: 22.5%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 6.5% (2024: 6.9%). None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interests in the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company confirmed at least 25% of the Company's total number of issued shares (excluding treasury shares) were held by the public as at the date of this report.

REPORT OF THE DIRECTORS

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year ended 31 December 2025.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed “Corporate Governance Report” in this annual report.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2025 and up to date of this annual report.

AUDITORS

Forvis Mazars CPA Limited were first appointed as auditors of the Company on 24 August 2022 upon the retirement of KPMG on 23 August 2022, and acted as the auditors of the Company for the year ended 31 December 2025. Forvis Mazars CPA Limited shall retire at the 2026 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Forvis Mazars CPA Limited as auditors of the Company will be proposed at the 2026 AGM.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBER

For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the 2026 AGM to be held on 5 June 2026, the Register of Members of the Company will be closed from 2 June 2026, Tuesday to 5 June 2026, Friday (both days inclusive), during that period no transfer of shares will be effected and the record date will be 5 June 2026, Friday. In order to qualify for the right to attend and vote at the 2026 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 June 2026, Monday for registration of transfer.

Mr. Zeng Guangsheng

Chairman

27 March 2026

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of IPE Group Limited

(Incorporated in the Cayman Islands with limited liability)

Forvis Mazars CPA Limited

富睿瑪澤會計師事務所有限公司

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OPINION

We have audited the consolidated financial statements of IPE Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 73 to 160, which comprise the consolidated statement of financial position as at 31 December 2025, and 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 to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the 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, and we have 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

KEY AUDIT MATTERS (Continued)

Revenue recognition

Refer to notes 1(v) and 3 to the consolidated financial statements

The key audit matter

Revenue of the Group mainly comprises sale of precision components products to customers.

The Group enters into sales orders with customers and sells its products in accordance with the terms agreed in the sales orders.

For direct sales of precision component products, once the products are delivered to the location designated by the customers, the control of the goods is considered to have been transferred to the customers and revenue is recognised accordingly.

For consignment sales of precision component products, once the products are withdrawn from consignees' warehouse, the control of the goods is considered to have been transferred and revenue is recognised at that point.

The Group does not offer any discounts or rebates to customers and does not permit sales return except for where the products are damaged or defective.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the revenue recognition by management to meet specific targets or expectations.

How the matter was addressed in our audit

Our key audit procedures to assess the revenue recognition included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;
- inspecting sales contracts/orders with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;
- performing analytical procedures on revenue by comparing the actual result of the current year with that of the prior year;
- inspecting goods delivery notes, shipping documentation and consignment products withdrawn statements, on a sample basis, to assess whether revenue transactions recorded before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts/orders; and
- inspecting underlying documentation for journal entries and adjustments relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria.

KEY AUDIT MATTERS (Continued)

Valuation of inventories

Refer to notes 1(m) and 15 to the consolidated financial statements

The key audit matter

Inventories are carried at the lower of cost and net realisable value (“NRV”) in the consolidated financial statements. At 31 December 2025, the net carrying value of inventories was HK\$370 million.

Management determines NRV of inventories by considering the ageing profile, inventory obsolescence and the subsequent selling price of individual inventory item.

We identified the valuation of inventories as a key audit matter because the Group held significant inventories at the reporting date and because of the significant degree of management judgement involved in evaluating NRV for inventories.

How the matter was addressed in our audit

Our key audit procedures to assess the valuation of inventories included the following:

- obtaining an understanding of and assessing the design and implementation of management’s internal controls relating to valuation of NRV of inventories;
- assessing the assumptions and estimates made by management in making provisions for inventories by performing a retrospective review of the historical accuracy of these assumptions and estimates;
- assessing, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking the goods receipt notes and production and stock-in records;
- inspecting the inventory ageing report to identify any slow-moving and obsolete inventory items and assessing whether appropriate provisions have been made for slow-moving and obsolete items, for which there has been a lack of latest sales transactions; and
- comparing, on a sample basis, the subsequent selling price of the finished goods to their carrying values of these inventories as at the financial year end.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the 2025 annual report of the Company but does not include 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the 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 of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 27 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

Fung Shiu Hang

Practising Certificate number: P04793

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	3	1,087,034	1,010,006
Cost of sales		(773,107)	(724,301)
Gross profit		313,927	285,705
Other income	4	30,215	40,641
Change in fair value of investment properties	10	–	(732)
Change in fair value of financial assets measured at fair value through profit or loss (“FVPL”)		6,521	14,473
(Provision for) Reversal of impairment losses related to receivables	27(a)	(986)	4,924
Distribution costs		(32,800)	(37,536)
Administrative expenses and other expenses		(187,778)	(172,164)
Research and development costs		(80,372)	(80,641)
Profit from operations		48,727	54,670
Finance costs	5(a)	(8,551)	(15,572)
Share of loss of an associate	14	(58)	(631)
Profit before taxation	5	40,118	38,467
Income tax	6(a)	(6,145)	(8,356)
Profit for the year		33,973	30,111
Attributable to:			
Equity shareholders of the Company		11,388	10,597
Non-controlling interests		22,585	19,514
Profit for the year		33,973	30,111
Earnings per share			
Basic and diluted	9	HK1.08 cents	HK1.01 cents

The notes on pages 79 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Profit for the year	33,973	30,111
Other comprehensive income (loss) for the year (after tax adjustment)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations	94,833	(52,522)
Total comprehensive income (loss) for the year	128,806	(22,411)
Attributable to:		
Equity shareholders of the Company	102,321	(38,633)
Non-controlling interests	26,485	16,222
Total comprehensive income (loss) for the year	128,806	(22,411)

The notes on pages 79 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Investment properties	10	130,977	125,974
Property, plant and equipment	10	877,453	847,367
Intangible assets	11	48,067	55,624
Goodwill	12	70,025	66,733
Interest in an associate	14	1,081	1,023
Deposits for purchase of property, plant and equipment		5,654	3,855
Deferred tax assets	25(b)	17,746	14,179
		1,151,003	1,114,755
Current assets			
Inventories	15	370,340	318,921
Financial assets at FVPL	16	33,977	30,825
Trade and other receivables	17	580,326	455,923
Pledged and restricted deposits	18(a)	18,599	34,733
Cash and cash equivalents	18(a)	434,804	515,160
		1,438,046	1,355,562
Current liabilities			
Trade and other payables	19	266,822	181,853
Contract liabilities	20	10,056	7,436
Bank and other loans	21	84,171	287,946
Lease liabilities	22	1,053	957
Deferred income	23	624	585
Tax payable	25(a)	6,936	5,274
		369,662	484,051
Net current assets		1,068,384	871,511
Total assets less current liabilities		2,219,387	1,986,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Bank and other loans	21	107,787	3,818
Lease liabilities	22	271	1,735
Other payables	19	3,294	2,306
Deferred income	23	4,497	428
Deferred tax liabilities	25(b)	29,456	30,061
		145,305	38,348
NET ASSETS			
		2,074,082	1,947,918
CAPITAL AND RESERVES			
Share capital	26(c)	105,225	105,225
Reserves	26(d)	1,791,491	1,689,170
Total equity attributable to equity shareholders of the Company			
		1,896,716	1,794,395
Non-controlling interests	13(a)	177,366	153,523
TOTAL EQUITY			
		2,074,082	1,947,918

These consolidated financial statements on pages 67 to 160 were approved and authorised for issue by the Board of Directors on 27 March 2026 and are signed on its behalf by:

Zeng Guangsheng
Director

Ng Hoi Ping
Director

The notes on pages 79 to 160 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Notes	Attributable to equity shareholders of the Company														Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Statutory reserve HK\$'000	Statutory public welfare fund HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Properties revaluation reserves HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Dividend proposed HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
	(note 26(c))		(note 26(d) (iii))	(note 26(d) (i))	(note 26(d) (iv))	(note 26(d) (vi))	(note 26(d) (vii))	(note 26(d) (v))	(note 26(d) (ii))	(note 26(d) (viii))					
Balance at 1 January 2024	105,225	472,201	15,880	82,188	287	7,905	51,735	34,527	11,959	4,239	-	1,046,882	1,833,028	131,162	1,964,190
Changes in equity for 2024:															
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	10,597	10,597	19,514	30,111
Other comprehensive loss	-	-	-	-	-	-	-	-	(49,230)	-	-	-	(49,230)	(3,292)	(52,522)
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(49,230)	-	-	10,597	(38,633)	16,222	(22,411)
Transactions with owners: <i>Contributions and distributions</i>															
Appropriation for surplus reserve	-	-	-	5,516	-	-	-	-	-	-	-	(5,516)	-	-	-
Contributions from non-controlling interests 13(iii)	-	-	-	-	-	-	-	-	-	-	-	-	-	6,139	6,139
Balance at 31 December 2024 and 1 January 2025	105,225	472,201	15,880	87,704	287	7,905	51,735	34,527	(37,271)	4,239	-	1,051,963	1,794,395	153,523	1,947,918
Changes in equity for 2025:															
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	11,388	11,388	22,585	33,973
Other comprehensive income	-	-	-	-	-	-	-	-	90,933	-	-	-	90,933	3,900	94,833
Total comprehensive income for the year	-	-	-	-	-	-	-	-	90,933	-	-	11,388	102,321	26,485	128,806
Transactions with owners: <i>Contributions and distributions</i>															
Contributions from non-controlling interests 13(iii)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,413	1,413
Dividend paid to non-controlling interest 13(iv)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,055)	(4,055)
Final dividends proposed 26(b)	-	-	-	-	-	-	-	-	-	-	29,463	(29,463)	-	-	-
Balance at 31 December 2025	105,225	472,201	15,880	87,704	287	7,905	51,735	34,527	53,662	4,239	29,463	1,033,888	1,896,716	177,366	2,074,082

The notes on pages 79 to 160 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Operating activities			
Cash generated from operations	18(b)	107,185	83,310
Income tax paid	25(a)	(6,704)	(13,400)
Net cash generated from operating activities		100,481	69,910
Investing activities			
Interest received		3,973	8,433
Dividends received		2,224	2,686
Payment for purchase of other property, plant and equipment		(91,831)	(164,617)
Payment for purchase of intangible assets		(445)	–
Proceeds from disposal of other property, plant and equipment		8,174	6,082
Proceed from disposal of FVPL		3,774	–
Payment for the consideration on acquisition of subsidiaries, net of cash acquired		–	(168,065)
Net cash used in investing activities		(74,131)	(315,481)
Financing activities			
Capital element of lease rentals paid	18(c)	(978)	(934)
Interest element of lease rentals paid	18(c)	(83)	(129)
Interests paid	18(c)	(8,150)	(14,086)
New bank loans raised	18(c)	58,676	175,360
Repayment of bank loans	18(c)	(167,396)	(64,795)
Capital contribution from non-controlling interests	13(iii)	1,413	6,139
Dividend paid to non-controlling interests	13(iv)	(2,664)	–
Net cash (used in) generated from financing activities		(119,182)	101,555
Net decrease in cash and cash equivalents		(92,832)	(144,016)
Cash and cash equivalents at beginning of the year	18(a)	515,160	674,400
Effect of foreign exchange rate changes		12,476	(15,224)
Cash and cash equivalents at the end of the year, represented by cash and bank balances	18(a)	434,804	515,160

The notes on pages 79 to 160 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

IPE Group Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 10 July 2002 under the Companies Law of Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal places of business of the Company in Hong Kong, the People’s Republic of China (the “PRC”) and Thailand are Unit 5-6, 23/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong, No. 8 Zhuzian Road, Yue Hu Cun, Zengcheng, Guangzhou, Guangdong Province, the PRC and 99/1 Mu Phaholyothin Road, Sanubtueb, Wangnoi, Ayutthaya 13170, Thailand respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are production of computer numerical control (“CNC”) lathes and manufacturing and sale of high precision metal components products. Further details of the Group’s principal activities are set out in note 13 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

At 31 December 2025, the directors of the Company consider the immediate parent of the Group to be Baoan Technology Company Limited, a company incorporated in Hong Kong while the ultimate controlling party of the Group to be China Baoan Group Co., Ltd., a company incorporated in the PRC.

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Principal accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) to the consolidated financial statements 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 and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

These consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

These consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 1(h)); and
- other investments (see note 1(g)).

The preparation of consolidated financial statements in conformity with HKFRS 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 recognised 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 HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2 to the consolidated financial statements.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA to these consolidated financial statements for the current accounting period:

Amendments to HKAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An Investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies. Intra-group balances, transactions and income and expenses and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests 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 non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

In the Company's statement of financial position which is presented within these notes, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(ii) to the consolidated financial statements). The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associate

An associate is an entity over which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions of the investee.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is reclassified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(l)(ii) to the consolidated financial statements). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss on goodwill is not reversed.

(g) Other investments

The Group's policies for investments in listed and unlisted equity securities and unlisted wealth management products, other than investments in subsidiaries and an associate, are set out below.

Investments in listed and unlisted equity securities and unlisted wealth management products are recognised/derecognised 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 FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27 to the consolidated financial statements. Any subsequent changes in the fair value are recognised in the profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k) to the consolidated financial statements) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss in the year in which they arise, retire or dispose. Rental income from investment properties is accounted for as described in note 1(v)(iii) to the consolidated financial statements.

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in properties revaluation reserve. When a deficit arises, it will be charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Other property, plant and equipment

The following items of other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii) to the consolidated financial statements):

- freehold land and buildings;
- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k) to the consolidated financial statements).

The cost of an item of other property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate and an appropriate proportion of production overheads and borrowing costs (see note 1(x) to the consolidated financial statements). Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the properties revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.
- Leasehold land is depreciated over the unexpired term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 5 to 10 years after the date of completion.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Other property, plant and equipment (Continued)

— Plant and machinery	10 years
— Furniture and fixtures	5 years
— Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)(ii) to the consolidated financial statements).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Patents	5 – 10 years
— Computer software	10 years

Both the useful lives and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised 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 amortised cost and interest expense is calculated 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 hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(ii) to the consolidated financial statements).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to 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 change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that 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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it 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. If this is not the case, 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 recognised in accordance with note 1(v)(iii) to the consolidated financial statements.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the recognition exemption, then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including pledged and restricted deposits, cash and cash equivalents, trade receivables, contract assets and other receivables, including loans to associates, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including ordinary shares of a listed entity, unlisted wealth management products and listed and unlisted equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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 recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Loss allowances for trade and other receivables, contract assets, bills receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

As detailed in note 27 to the consolidated financial statements, restricted deposits and bank balances are determined to have low credit risk.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v)(v) to the consolidated financial statements is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Basis of calculation of interest income (Continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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 or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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 recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- other property, plant and equipment, including right-of-use assets;
- intangible assets;
- interest in an associate; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-financial assets (Continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable 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.

Net realisable 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Trade receivables, contract assets and other receivables

A receivable is recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A receivable is derecognised when and only when (i) the Group's contractual rights to future cash flows from the receivable expires or (ii) the Group transfers the receivable and either (a) it transfers substantially all the risks and rewards of ownership of the receivable, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the receivable but it does not retain control of the receivable.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i) to the consolidated financial statements). A trade receivable without a significant financing component is initially measured at its transaction price.

If the Group performs by transferring the CNC lathes or hydraulic equipment components to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the CNC lathes or hydraulic equipment components to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier) (see note 1(q) to the consolidated financial statements). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and 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 ECLs in accordance with the policy set out in note 1(l)(i) to the consolidated financial statements.

(p) Trade and other payables

Trade and other payables are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and derecognised when and only when the payable is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v) to the consolidated financial statements). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n) to the consolidated financial statements).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x) to the consolidated financial statements).

(s) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h) to the consolidated financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(v) Revenue and other income

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

At contract inception, the Group assesses the goods promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good (or a bundle of goods) that is distinct; or
- (b) a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

A good that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and
- (b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

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

(i) Sale of goods

For direct sales of precision component products, such revenue was recognised when the products were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods, irrespective of whether the products had been made-to-order or were standardised.

For sales of precision component products through consignees, once the products are withdrawn from consignees' warehouse, the control of the goods is considered to have been transferred in accordance with the terms of consignment agreements and revenue is recognised at that point.

For direct sales of CNC lathes, such revenue was recognised over time because (1) the Group manufactures the products according to the customer's specification and the Group is limited practically or contractually from directing the final products and any assets created or enhanced during the production process for another use; and (2) the Group has an enforceable right to payment for the performance completed to date if the customer were to cancel the contract for reasons other than the Group's failure to perform as promised.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The principal input applied in the input method is costs incurred.

(ii) Sale of others

It represents sale of scrap materials which incurred from manufacturing activities, the control of the scrap materials is considered to have been transferred when the customer had accepted the scrap materials and revenue is recognised at that point.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(iv) Dividends

Dividend income from equity investments is recognised when the Group's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised 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 recognised 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the average exchange rate.

Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Borrowing costs

Borrowing costs that are 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) 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 joint venture of the other entity (or an associate or 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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

Impairments

- (i) In considering the impairment losses that may be required for certain other property, plant and equipment, non-financial assets and prepayment for machinery, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Key sources of estimation uncertainty are as follows: (Continued)

Impairments (Continued)

- (ii) The Group estimates the loss allowances for trade receivables, contract assets and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables, contract assets and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables, contract assets and other receivables during their expected lives.
- (iii) Impairment losses for inventories are assessed and provided based on the directors' regular review on a product-by-product basis and makes allowances by reference to the historical assumptions and estimations, ageing profile and subsequent selling prices.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

Fair value determination of investment properties

As described in note 1(h) to the consolidated financial statements, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration of the key assumptions used for fair value measurement stated in note 27 to the consolidated financial statements.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and certain factors generated by market transactions involving comparable assets such as quality of and location of a building, tenant credit quality and lease terms. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

Fair value determination of unlisted equity security

As described in note 1(g) to the consolidated financial statements, unlisted equity security is stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration of the key assumptions used for fair value measurement stated in note 27 to the consolidated financial statements.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including discount of lack of marketability and multiples for comparable companies with similar principal business. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Key sources of estimation uncertainty are as follows: (Continued)

Deferred tax assets

Deferred tax assets are recognised for certain temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2025 was HK\$1,452,000 (2024: HK\$1,452,000). The amount of unrecognised tax losses at 31 December 2025 was HK\$340,654,000 (2024: HK\$319,044,000). Further details are contained in note 25 to the consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are production of CNC lathes and manufacturing and sale of precision components products. The Group does not offer any discounts or rebates to customers and does not permit sales return except for where the products are damaged or defective. Further details of reportable segments regarding the Group's principal activities are disclosed in note 3(b) to the consolidated financial statements.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2025 HK\$'000	2024 HK\$'000
Sales of automotive components	471,507	444,860
Sales of hydraulic equipment components	529,840	485,904
Sales of electronic equipment components	26,338	27,244
Sales of CNC lathes	31,904	24,797
Others	27,445	27,201
Total	1,087,034	1,010,006

The amount of revenue recognised for the year ended 31 December 2025 that was included in the contract liabilities at the beginning of the year is HK\$7,604,000 (2024: Nil).

The Group's customer base is diversified and does not have any individual customer (2024: Nil) with whom transactions have exceeded 10% of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

(i) Segment results

The Group manages its businesses by divisions, which are organised by the geographical locations of the customers. 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 six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (a) Thailand;
- (b) Malaysia;
- (c) Mainland China, Macau and Hong Kong;
- (d) North America;
- (e) Europe; and
- (f) Other countries.

Segment results, assets and liabilities

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

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue, gross profit and assets. Segment liabilities are not reported to the Group's senior executive management regularly.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	2025							Total HK\$'000
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Elimination HK\$'000	
Revenue from external customers recognised by:								
– point in time	4,340	26,338	645,920	182,900	142,887	52,745	-	1,055,130
– over time	-	-	31,904	-	-	-	-	31,904
	4,340	26,338	677,824	182,900	142,887	52,745	-	1,087,034
Inter-segment revenue	13,921	-	-	-	-	-	(13,921)	-
Reportable segment revenue	18,261	26,338	677,824	182,900	142,887	52,745	(13,921)	1,087,034
Reportable segment profit								
Gross profit	1,253	7,606	195,751	52,820	41,265	15,232	-	313,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Segment results, assets and liabilities (Continued)

	2024							Total HK\$'000
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Elimination HK\$'000	
Revenue from external customers recognised by:								
– point in time	12,438	26,977	575,397	190,865	151,055	28,477	–	985,209
– over time	–	–	24,797	–	–	–	–	24,797
	12,438	26,977	600,194	190,865	151,055	28,477	–	1,010,006
Inter-segment revenue	9,256	–	–	–	–	–	(9,256)	–
Reportable segment revenue	21,694	26,977	600,194	190,865	151,055	28,477	(9,256)	1,010,006
Reportable segment profit								
Gross profit	3,518	7,631	169,780	53,991	42,730	8,055	–	285,705

(ii) Geographic information

The geographical location of customers is based on the location at which the goods delivered, and the Group's revenue from external customers were disclosed in note 3(b)(i) to the consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information (Continued)

The following table sets out information about the geographical location of the Group's investment properties, property, plant and equipment, intangible assets, goodwill, interest in an associate and deposits for purchase of property, plant and equipment ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in an associate.

	2025 HK\$'000	2024 HK\$'000
Mainland China	1,027,356	1,019,451
Hong Kong	53,257	55,816
Thailand	52,644	25,309
	1,133,257	1,100,576

4 OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Government grants (<i>Note</i>)	9,834	9,418
Interest income	3,973	8,433
Net realised gain on disposal of FVPL	405	–
Dividend income	2,224	2,686
Rental income from investment properties	9,132	8,238
Reversal of provision for surcharge on land use right	–	6,238
Others	4,647	5,628
	30,215	40,641

Note: During the year ended 31 December 2025, the Group received conditional government subsidies of HK\$8,178,000 (2024: HK\$4,415,000) as subsidies for technological improvement, employment subsidy and research and development projects of the Group's PRC subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2025 HK\$'000	2024 HK\$'000
(a) Finance costs		
Interest on bank and other loans	8,213	13,768
Financial arrangement fees	255	1,675
Interest on lease liabilities	83	129
	8,551	15,572
	2025 HK\$'000	2024 HK\$'000
(b) Staff costs		
Salaries, wages and other benefits	285,946	251,602
Contributions to defined contribution retirement plan (<i>Note</i>)	36,331	26,830
	322,277	278,432

Note: The PRC Operating Entities participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities, whereby the PRC Operating Entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Schemes.

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. 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. Contributions to the plan vest immediately.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

5 PROFIT BEFORE TAXATION (Continued)

	2025 HK\$'000	2024 HK\$'000
(c) Other items		
Cost of inventories (note i)	773,107	724,301
Depreciation		
– owned property, plant and equipment	88,824	92,156
– right-of-use assets	890	908
Amortisation of intangible assets (included in administrative expenses)	10,559	10,526
Amortisation of leasehold land	2,497	2,168
Lease payments not included in the measurement of lease liabilities	625	451
Research and development costs (note ii)	80,372	80,641
Auditor's remuneration		
– audit services	1,525	1,555
– other services	25	25
Loss on disposal of other property, plant and equipment	349	262
Direct operating expenses arising from investment properties that generated rental income	36	14
Net exchange loss	11,031	3,740

Notes:

- (i) Cost of inventories includes HK\$192,485,000 (2024: HK\$214,070,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) to the consolidated financial statements for each of these types of expenses.
- (ii) Research and development costs includes HK\$62,647,000 (2024: HK\$55,510,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) to the consolidated financial statements for each of these types of expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2025 HK\$'000	2024 HK\$'000
Current tax		
<i>Hong Kong Profits Tax</i>		
Provision for current income tax	–	810
(Over) Under-provision in prior years	(254)	1,746
	(254)	2,556
<i>PRC corporate income tax</i>		
Provision for current income tax	10,971	9,397
Under (Over)-provision in prior years	165	(1,412)
	11,136	7,985
<i>Thailand's income tax</i>		
Provision for current income tax	308	488
	11,190	11,029
Deferred tax		
Origination and reversal of temporary differences	(5,045)	(2,673)
	6,145	8,356

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

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year ended 31 December 2025.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Company in the PRC are liable to PRC corporate income tax at a rate of 25% for 2025 (2024: 25%) except for:
 - Guangzhou Xin Hao Precision Technology Company Limited (“Guangzhou Xin Hao”), Guangzhou Hui Tong Precision Hydraulic Co., Ltd. (“Guangzhou Hui Tong”), Guangzhou Huitong Hydraulic Research Institute Company Limited, Dongguan Koda Metal Products Company Limited (“Dongguan Koda”), Jiangsu Kemai Hydraulic control System Company Limited (“Jiangsu Kemai”), Changshu Keyu Greystone Machining Company Limited (“Changshu Keyu”), Yutai Hydraulic Technology (Shanghai) Company Limited. (“Yutai Hydraulic”) and Wuhu Inno Hydraulic Technology Company Limited. (“Wuhu Inno”) which were certified as “High & New Technological Enterprise”, and entitled to the preferential income tax rate of 15% (2024: 15%).
 - Guangzhou Baoshun Commercial Service Co., Ltd (“Guangzhou Baoshun”) were recognised as “Small and Low-profit Enterprises” and entitled to the preferential income tax rate of 5% (2024: 5%).
- (iv) Integrated Precision Engineering (Thailand) Company Limited (“IPE Thailand”), a subsidiary incorporated in Thailand, is subject to income tax in Thailand at a rate of 20% (2024: 20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2025 HK\$'000	2024 HK\$'000
Profit before taxation	40,118	38,467
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	3,433	2,830
Effect of tax concessions for subsidiaries	–	(228)
Super deduction on research and development expenses	(11,782)	(10,470)
Tax effect of non-deductible expenses	14,389	9,169
Tax effect of non-taxable income	(7,284)	(6,246)
Tax effect of unused tax losses not recognised	14,980	15,331
Unrecognised temporary difference	(44)	432
Utilisation of previously unrecognised tax losses	(7,517)	(2,336)
Net (over) under-provision in prior years	(89)	334
Others	59	(460)
Actual tax expense	6,145	8,356

In June 2025, the Hong Kong SAR Government gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 to implement Pillar Two income taxes effective from 1 January 2025. Besides, the Group falls into the scope of Pillar Two model rules of China which had not yet in effect at the end of the reporting period, but the information about the Group's exposure to Pillar Two income taxes cannot be reasonably estimated and the assessment of the Group's exposure is in progress.

7 DIRECTORS' EMOLUMENTS

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

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2025					
Executive directors:					
Mr. Zeng Guangsheng	250	2,210	705	18	3,183
Mr. Ng Hoi Ping	250	1,380	386	208	2,224
Non-executive directors:					
Ms. Zeng Jing	250	–	–	–	250
Mr. Chen Kuangguo	250	–	–	–	250
Independent non-executive directors:					
Mr. Yang Rusheng	150	–	–	–	150
Mr. Cheung Chun Yue, Anthony	150	–	–	–	150
Mr. Zhu Jianbiao	150	–	–	–	150
	1,450	3,590	1,091	226	6,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2024					
Executive directors:					
Mr. Zeng Guangsheng	250	2,210	705	18	3,183
Mr. Ng Hoi Ping	250	1,380	336	125	2,091
Non-executive directors:					
Ms. Zeng Jing	250	–	–	–	250
Mr. Chen Kuangguo	250	–	–	–	250
Independent non-executive directors:					
Mr. Yang Rusheng	150	–	–	–	150
Mr. Cheung Chun Yue, Anthony	150	–	–	–	150
Mr. Zhu Jianbiao	150	–	–	–	150
	1,450	3,590	1,041	143	6,224

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in note 7 to the consolidated financial statements. The aggregate of the emoluments in respect of the other three (2024: three) individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and other benefits in kind	2,753	2,719
Discretionary bonuses	1,015	624
Pension scheme contributions	66	186
	3,834	3,529

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

	2025 Number of individuals	2024 Number of individuals
HK\$500,001 to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
	3	3

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$11,388,000 (2024: HK\$10,597,000) and the weighted average of 1,052,254,000 ordinary shares (2024: 1,052,254,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for years ended 31 December 2025 and 2024 were the same as the basic earnings per share.

At 31 December 2025, 102,900,000 (2024: 104,100,000) share options outstanding (see note 24 to the consolidated financial statements) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices of the Company's shares for the period during which the options were outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount

	Ownership interests in leasehold land held for own use carried at cost HK\$'000	Other properties leased for own use carried at cost HK\$'000	Freehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:										
At 1 January 2024	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	130,189	2,788,135
Representing Cost	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	-	2,657,946
Valuation-2024	-	-	-	-	-	-	-	-	130,189	130,189
	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	130,189	2,788,135
Additions	-	-	13,333	-	54,144	18,250	52	104,375	-	190,154
Transfer from construction in progress	-	-	106,758	3,241	10,569	3,866	-	(124,434)	-	-
Disposals	-	(6,711)	(127)	-	(58,298)	(2,777)	(532)	-	-	(68,445)
Fair value adjustment	-	-	-	-	-	-	-	-	(732)	(732)
Contract modification	-	205	-	-	-	-	-	-	-	205
Exchange adjustment	(3,566)	(429)	(25,982)	(526)	(51,354)	(4,830)	(466)	(917)	(3,483)	(91,553)
At 31 December 2024	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	125,974	2,817,764
Representing Cost	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	-	2,691,790
Valuation-2024	-	-	-	-	-	-	-	-	125,974	125,974
	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	125,974	2,817,764
Additions	-	-	10,820	5,391	30,099	16,192	458	28,871	-	91,831
Transfer from construction in progress	-	-	18,018	-	20,161	-	-	(38,179)	-	-
Disposals	-	-	(5,321)	-	(18,920)	(1,632)	(757)	-	-	(26,630)
Exchange adjustment	4,746	249	42,547	903	77,102	7,659	685	1,200	5,003	140,094
At 31 December 2025	83,290	5,306	964,787	26,378	1,623,592	166,361	16,109	6,259	130,977	3,023,059
Representing Cost	83,290	5,306	964,787	26,378	1,623,592	166,361	16,109	6,259	-	2,892,082
Valuation-2025	-	-	-	-	-	-	-	-	130,977	130,977
	83,290	5,306	964,787	26,378	1,623,592	166,361	16,109	6,259	130,977	3,023,059

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Ownership interests in leasehold land held for own use carried at cost HK\$'000	Other properties leased for own use carried at cost HK\$'000	Freehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Investment properties HK\$'000	Total HK\$'000
Accumulated depreciation:										
At 1 January 2024	(11,806)	(7,022)	(412,723)	(17,369)	(1,309,594)	(92,319)	(12,922)	-	-	(1,863,755)
Charge for the year (note 5)	(2,168)	(908)	(20,758)	(472)	(57,221)	(12,621)	(1,084)	-	-	(95,232)
Written back on disposals	-	4,584	93	-	55,117	2,051	256	-	-	62,101
Exchange adjustment	1,321	271	13,056	466	33,658	3,329	362	-	-	52,463
At 31 December 2024	(12,653)	(3,075)	(420,332)	(17,375)	(1,278,040)	(99,560)	(13,388)	-	-	(1,844,423)
Charge for the year (note 5)	(2,497)	(890)	(25,487)	(1,178)	(44,740)	(16,609)	(810)	-	-	(92,211)
Written back on disposals	-	-	3,709	-	12,910	1,205	283	-	-	18,107
Exchange adjustment	(1,865)	(175)	(22,109)	(660)	(65,279)	(5,425)	(589)	-	-	(96,102)
At 31 December 2025	(17,015)	(4,140)	(464,219)	(19,213)	(1,375,149)	(120,389)	(14,504)	-	-	(2,014,629)
Net book value:										
At 31 December 2025	66,275	1,166	500,568	7,165	248,443	45,972	1,605	6,259	130,977	1,008,430
At 31 December 2024	65,891	1,982	478,391	2,709	237,110	44,582	2,335	14,367	125,974	973,341

Notes:

- (i) The freehold land amounting to THB19,201,000 (equivalent to HK\$4,547,000) included in freehold land and buildings is situated in Thailand (2024: THB19,201,000 (equivalent to HK\$4,353,000)).
- (ii) As at 31 December 2025, the Group is in the process of applying for the title certificates of a land use right and certain properties with carrying value of approximately HK\$1,566,000 (2024: HK\$1,542,000) and HK\$28,008,000 (2024: HK\$27,393,000), respectively. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.
- (iii) All of the Group's investment properties were revalued as at 31 December 2025. The valuations were carried out by an independent professional valuer, BMI Appraisal Limited, who have among their staff with recent experience in the location and category of property being valued. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date. For more quantitative information on the valuation of investment properties, please refer to note 27 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use asset

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

	2025 HK\$'000	2024 HK\$'000
Included in other property, plant and equipment:		
– Ownership interests in leasehold land held for own use	66,275	65,891
– Other properties leased for own use	1,166	1,982
	67,441	67,873
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of:		
– between 28 and 35 years (2024: between 29 and 36 years)	130,977	125,974

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land held for own use	2,497	2,168
– Other properties leased for own use	890	908
Interest on lease liabilities	83	129
Expense relating to short-term leases and other leases	625	451

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Investment properties

The Group leases out investment properties under operating leases. The leases run for an initial period of 3 and 6 years (2024: 3 and 6 years), with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year or every three years to reflect market rentals.

The investment properties are subject to residual value risk. According to the lease contracts, the tenants are required to be responsible for any damage to the investment properties at the end of the lease. Besides, the Group has purchased insurance to protect it against any loss that may arise from accidents or physical damages of the properties.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2025 HK\$'000	2024 HK\$'000
Year 1	11,325	7,504
Year 2	9,166	7,620
Year 3	4,672	6,387
Year 4	1,168	4,670
Year 5	–	1,168
	26,331	27,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS

	Computer Software HK\$'000	Patents HK\$'000	Total HK\$'000
Cost:			
At 1 January 2024	747	71,225	71,972
Exchange adjustment	(27)	(2,544)	(2,571)
At 31 December 2024 and 1 January 2025	720	68,681	69,401
Additions	445	–	445
Exchange adjustment	57	3,417	3,474
At 31 December 2025	1,222	72,098	73,320
Accumulated amortisation:			
At 1 January 2024	–	(3,610)	(3,610)
Charge for the year	(99)	(10,427)	(10,526)
Exchange adjustment	2	357	359
At 31 December 2024 and 1 January 2025	(97)	(13,680)	(13,777)
Charge for the year	(129)	(10,430)	(10,559)
Exchange adjustment	(8)	(909)	(917)
At 31 December 2025	(234)	(25,019)	(25,253)
Net book value:			
At 31 December 2025	988	47,079	48,067
At 31 December 2024	623	55,001	55,624

Included in the patents are amounts of HK\$46,626,000 (2024: HK\$53,343,000) representing the carrying amount of patents for manufacturing integrated hydraulic valve products, which was acquired through acquisition of subsidiaries in 2023. At the end of the reporting period, the remaining amortisation period of the patents are 5 years (2024: 6 years).

12 GOODWILL

	2025 HK\$'000	2024 HK\$'000
Cost and carrying amount		
At 1 January	66,733	69,206
Exchange adjustment	3,292	(2,473)
At 31 December	70,025	66,733

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation and operating segment as follows:

	Note	2025 HK\$'000	2024 HK\$'000
Jiangsu Kemai	(i)	10,569	10,072
Yutai Hydraulic and Wuhu Inno (together as "Yutai Hydraulic Group")	(ii)	59,456	56,661
		70,025	66,733

Notes:

- (i) The recoverable amount of the Jiangsu Kemai is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted sales growth rate of the five-year period is 4% (2024: 4%). Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated sales growth rate of 2% (2024: 2%), which was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term inflation rate of the PRC. The cash flows are discounted using a discount rate of 14.3% (2024: 15.9%). The discount rates used are pre-tax and reflect specific risks relating to the Jiangsu Kemai.
- (ii) The recoverable amount of the Yutai Hydraulic Group is reference to business valuations of Yutai Hydraulic Group determined under market-based and asset-based approaches, which is the fair value less costs of disposal. The valuations were carried out by an independent professional valuer, BMI Appraisal Limited, who have among their staff with recent experience in the category of business being valued. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuations are performed at the reporting date. For more quantitative information on the valuations of the goodwill related to Yutai Hydraulic Group, please refer to note 27 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS 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 unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
IPE Thailand	Thailand	THB150,000,000	99.99%	–	99.99%	Trading and manufacture of precision metal components
Integrated Precision Engineering Company Limited	Hong Kong	HK\$3,000,000	100%	–	100%	Trading of precision metal components and investment holding
Dongguan Koda Metal Products Company Limited (notes i and ii)	The PRC	HK\$213,000,000	100%	–	100%	Manufacture of precision metal components
Guangzhou Xin Hao (notes i and ii)	The PRC	HK\$900,000,000	100%	–	100%	Manufacture of precision metal components
International Precision Engineering Company Limited	Hong Kong	HK\$1,000	100%	–	100%	Investment holding
Jiangsu Koda Precision Engineering Company Limited (notes i and ii)	The PRC	US\$47,200,000	100%	–	100%	Manufacture of precision metal components
Changshu Keyu Greystone Machining Company Limited (note ii)	The PRC	US\$1,300,000	85%	–	100%	Trading and manufacture of precision metal components
Jiangsu De Shang Intelligent Equipment Company Limited (note ii)	The PRC	RMB17,455,000	90%	–	90%	Trading and manufacture of intelligent equipment
IPE Precision Machinery Limited	Hong Kong	HK\$100,000	100%	–	100%	Trading of precision metal components
Guangzhou Hui Tong Precision Hydraulic Co., Ltd. ("Guangzhou Hui Tong") (notes ii and iii)	The PRC	RMB92,770,000 (2024: RMB91,500,000)	53.90% (2024: 54.64%)	–	53.90% (2024: 54.64%)	Manufacture of precision metal components
Jiangsu Kemai (notes ii, iii and iv)	The PRC	RMB45,000,000	51.61% (2024: 52.32%)	–	95.76%	Manufacture of precision metal components
Yutai Hydraulic (notes ii, iii and iv)	The PRC	RMB23,361,650	40.42% (2024: 40.98%)	–	75%	Trading and manufacture of precision metal components
Wuhu Inno (notes ii and iii)	The PRC	RMB22,222,200	43.59% (2024: 44.19%)	–	97%	Trading and manufacture of precision metal components

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (i) The subsidiaries are registered under PRC law as a wholly foreign-owned enterprises.
- (ii) The subsidiaries are registered under PRC law as limited liability companies.
- (iii) Capital contribution from non-controlling shareholders amounted to RMB1,270,000 (equivalent to HK\$1,413,000) was made during the year end (2024: RMB5,667,000 (equivalent to HK\$6,139,000)), as a result, the Group's effective interest in Guangzhou Hui Tong, Jiangsu Kemai, Yutai Hydraulic and Wuhu Inno was diluted to 53.90%, 51.61%, 40.42% and 43.59% respectively (2024: 54.64%, 52.32%, 40.98% and 44.19% respectively). The dilution of the Group's effective interest does not result in loss of control.
- (iv) The Group's subsidiaries, Jiangsu Kemai, Yutai Hydraulic and Cullygrat Surface & Deburring Treatment (Taicang) Company Limited have declared dividends of RMB2,120,000 (equivalent to HK\$2,299,000), RMB1,250,000 (equivalent to HK\$1,356,000) and HK\$400,000 respectively to the NCI during the reporting period, of which RMB2,120,000 (equivalent to HK\$2,299,000) and HK\$400,000 were paid during the reporting period. The remaining unpaid dividends of RMB1,250,000 (equivalent to HK\$1,391,000) as at 31 December 2025 have been recognised as dividend payables to NCI and recorded under "Trade and other payables" in note 19 of the consolidated financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(a) Non-controlling interests

The following table lists out the information relating to Guangzhou Hui Tong and its subsidiaries, the only subsidiary group of the Group which has a material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2025 HK\$'000	2024 HK\$'000
NCI percentage	46.10%	45.36%
Current assets	588,598	519,070
Non-current assets	338,661	336,646
Current liabilities	(430,120)	(387,697)
Non-current liabilities	(194,964)	(212,354)
Net assets	302,175	255,665
Carrying amount of NCI	168,403	150,492
Revenue	473,123	434,763
Profit for the year	34,327	32,896
Total comprehensive income for the year	38,725	28,949
Profit allocated to NCI	15,826	14,922
Cashflows from (used in) operating activities	52,712	(97,416)
Cashflows used in investing activities	(43,200)	(74,117)
Cashflows (used in) from financing activities	(17,031)	127,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTEREST IN AN ASSOCIATE

The following is the Group's only associate which is an unlisted corporate entity:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued capital		Proportion of ownership interest: Group's effective interest		Proportion of ownership interest: Held by a subsidiary		Principal activity
			2025	2024	2025	2024	2025	2024	
Shenzhen X-TEC Technology Company Limited ("Shenzhen X-TEC")	Incorporated	The PRC	RMB 16,280,362	RMB 16,280,362	10.53%	10.53%	10.53%	10.53%	Development and trading of software and equipments

The above associate is accounted for using the equity method in the consolidated financial statements.

Significant judgements and assumptions

The Group has representative in the board of directors of the associate and is participating in the financial and operating policy decisions of the associate. In the opinion of the directors of the Company, the Group has significant influence over the associate even though it holds less than 20 per cent of the voting rights of the associate.

Relationship with the associate

To strive for strategic development, the Group invested in Shenzhen X-TEC in 2017, which is a high-tech enterprise devoting itself to the design, research and development and production of automation and informatisation technologies. Leveraging on its understanding of both production processes and software systems, Shenzhen X-TEC could satisfy its customers' needs by offering them with automatic production equipment. It also offers integrated solutions in relation to smart production to reduce customers' production cost and the losses from operation mistakes made by workers, and in turn further maximise the production capacity and benefit the Group in the end.

14 INTEREST IN AN ASSOCIATE (Continued)

Relationship with the associate (Continued)

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2025 HK\$'000	2024 HK\$'000
Gross amounts of the associate		
Current assets	31,406	33,242
Non-current assets	3,851	2,545
Current liabilities	(29,737)	(29,990)
Equity	5,520	5,797
Revenue	36,311	36,298
Loss from continuing operations	(549)	(5,977)
Total comprehensive loss	(549)	(5,977)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	5,520	5,797
Group's effective interest	10.53%	10.53%
Group's share of net assets of the associate	1,081	1,023
Carrying amount in the consolidated financial statements	1,081	1,023

Unrecognised share of loss of the associate

No unrecognised share of loss of the associate for the current year and cumulatively up to the end of the reporting period (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	88,804	97,580
Consumables	35,328	16,321
Work in progress	76,317	70,298
Finished goods	169,891	134,722
	370,340	318,921

The analysis of the amount of inventories recognised as an income or expense and included in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	769,876	737,924
Write-down (Reversal of write-down) of inventories	3,231	(13,623)
Cost of inventories	773,107	724,301

In 2024, as a result of better quality and conditions of the inventories, there was increase in the net realisable value of HK\$13,623,000. Accordingly, provisions made in previous years against the carrying value of HK\$13,623,000 had been reversed and recognised as a reduction in the amount of inventories recognised as expense.

16 FINANCIAL ASSETS AT FVPL

	2025 HK\$'000	2024 HK\$'000
Equity securities		
– equity securities listed in Hong Kong	–	3,369
– ordinary shares of a listed entity (note i)	13,584	10,948
– unlisted equity security in Hong Kong (note ii)	20,393	16,508
	33,977	30,825

16 FINANCIAL ASSETS AT FVPL (Continued)

Notes:

- (i) The Group subscribed for 87,413 Series C Preferred Shares ("Preferred Shares") at a subscription consideration of RMB6,500,000 in 2021, which was approximately 0.78% of all shares outstanding of Betters Medical Investment Holdings Limited ("Betters Medical") at an as-converted basis.

The subsidiary of Betters Medical was listed on the US stock exchange in the first quarter of 2024 (the "listed entity"), and the Preferred Shares were converted into 256,425 ordinary shares of that listed entity according to the prospectus of the listed entity. The Group continue to hold certain preferential rights including repurchase rights and drag-along rights. The investment with preferential rights are recorded as financial assets measured at FVPL. The fair value is determined based on expected cash flow prepared by management. For more quantitative information on the valuation of the ordinary shares, please refer to note 27 to the consolidated financial statements.

	2025 HK\$'000	2024 HK\$'000
At fair value		
At 1 January	10,948	10,505
Changes in fair value	2,636	443
At 31 December	13,584	10,948

- (ii) The Group invested 15% equity interests of a private entity in Hong Kong, which primarily involved in surface treatment technologies for parts and research and development in various surface treatments. The fair value of the 15% equity interests is reference to business valuation of that private company determined under market-based approach. The valuation was carried out by an independent professional valuer, BMI Appraisal Limited, who have among their staff with recent experience in the category of business being valued. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuations are performed at the reporting date. For more quantitative information on the valuation of the 15% equity security, please refer to note 27 to the consolidated financial statements.

	2025 HK\$'000	2024 HK\$'000
At fair value		
At 1 January	16,508	–
Changes in fair value	3,885	16,508
At 31 December	20,393	16,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade debtors, net of loss allowance	338,698	310,370
Bills receivables (note i)	98,491	59,898
Other debtors, net of loss allowance (note ii)	34,245	20,907
Contract assets (note iii)	41,527	25,204
Financial assets measured at amortised cost	512,961	416,379
Deposits and prepayments	31,612	16,370
Prepayment for purchasing property, plant and equipment	572	1,864
Deductible input value added taxes	35,181	21,310
	580,326	455,923

Notes:

- (i) The Group accepts bank acceptance bills from major banks in the PRC for settlement of trade debts. The management considered that the risk of these bills relates substantially to credit risk is low. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as a financial asset. The bills are non-interest bearing and expected to be recovered within 12 months.
- (ii) Other debtors are unsecured, interest-free and repayable on demand. The amount is expected to be recovered within 12 months.
- (iii) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within HKFRS 15 during the reporting period are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	25,204	17,131
Transferred to trade receivables	(22,940)	(16,887)
Recognition of revenue	38,124	25,204
Exchange adjustment	1,139	(244)
At 31 December	41,527	25,204

At the end of reporting period, the contract assets that are expected to be recovered within 12 months.

All of trade and other receivables are expected to be recovered or recognised as expense within one year. The Group does not hold any collaterals over the trade and other receivables as at 31 December 2025 (2024: Nil).

17 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade debtors and bills receivables), based on the invoice date and net of loss allowance, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 month	170,674	175,321
1 to 2 months	99,123	71,405
2 to 3 months	68,935	51,043
3 to 4 months	45,363	35,049
4 to 12 months	53,094	37,450
	437,189	370,268

Trade debtors are due within 60 to 120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 27 to the consolidated financial statements.

18 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances comprise:

	2025 HK\$'000	2024 HK\$'000
Deposits with banks	16,418	34,886
Cash at bank and on hand	436,985	515,007
Less: pledged and restricted deposits	(18,599)	(34,733)
Cash and cash equivalents in the consolidated statement of financial position	434,804	515,160

At the end of the reporting period, the bank balances of the Group denominated in RMB placed with banks in the PRC amounted to HK\$360,554,000 (2024: HK\$421,497,000). RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. All cash at bank earns interest at floating daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (Continued)

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

	Notes	2025 HK\$'000	2024 HK\$'000
Profit before taxation		40,118	38,467
Adjustments for:			
Depreciation	5(c)	89,714	93,064
Amortisation of leasehold land	5(c)	2,497	2,168
Amortisation of intangible assets	5(c)	10,559	10,526
Provision for (Reversal of) impairment losses on receivables		986	(4,924)
Reversal of provision for surcharge on land use right		–	(6,238)
Finance costs	5(a)	8,551	15,572
Interest income	4	(3,973)	(8,433)
Dividend income	4	(2,224)	(2,686)
Share of loss of an associate	14	58	631
Loss on disposal of other property, plant and equipment	5(c)	349	262
Net realised gain on disposal of FVPL	4	(405)	–
Foreign exchange loss, net		13,612	31,149
Change in fair value of investment properties	10	–	732
Change in fair value of FVPL		(6,521)	(14,473)
Changes in working capital:			
(Increase) Decrease in inventories		(35,048)	1,789
Decrease (Increase) in restricted cash		16,940	(13,920)
Increase in trade and other receivables		(106,403)	(47,117)
Increase (Decrease) in trade and other payables		76,179	(20,695)
Increase in contract liabilities		2,196	7,436
Cash generated from operations		107,185	83,310

18 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities:

	Bank and other loans HK\$'000 (note 21)	Interest payable HK\$'000 (note 19)	Lease liabilities HK\$'000 (note 22)
At 1 January 2025	291,764	162	2,692
Changes from financing cash flows:			
Capital element of lease rentals paid	–	–	(978)
Interest element of lease rentals paid	–	–	(83)
New bank loans raised	58,676	–	–
Interest paid	–	(8,150)	–
Repayments of bank loans	(167,396)	–	–
Total changes from financing cash flows	(108,720)	(8,150)	(1,061)
Other changes:			
Interest expense	225	7,988	83
Exchange adjustment	8,689	–	(390)
Total other changes	8,914	7,988	(307)
At 31 December 2025	191,958	–	1,324
At 1 January 2024	185,546	687	5,536
Changes from financing cash flows:			
Capital element of lease rentals paid	–	–	(934)
Interest element of lease rentals paid	–	–	(129)
New bank loans raised	175,360	–	–
Interest paid	–	(14,086)	–
Repayments of bank loans	(64,795)	–	–
Total changes from financing cash flows	110,565	(14,086)	(1,063)
Other changes:			
Interest expense	207	13,561	129
Lease modification	–	–	205
Disposal	–	–	(1,798)
Exchange adjustment	(4,554)	–	(317)
Total other changes	(4,347)	13,561	(1,781)
At 31 December 2024	291,764	162	2,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (Continued)

(d) Total cash outflow for leases:

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

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	625	451
Within financing cash flows	1,061	1,063
	1,686	1,514

	2025 HK\$'000	2024 HK\$'000
Lease rental paid	1,686	1,514

19 TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	149,996	105,160
Interest payables	–	162
Other payables (note i)	34,701	15,423
Other tax payables	8,323	6,023
Payable for purchasing property, plant and equipment	36,640	25,537
Accruals (note ii)	12,246	5,520
Accrued staff cost	26,819	26,334
Dividend payables to NCI (notes iii and 13(iv))	1,391	–
	270,116	184,159
Portion classified as non-current:		
Other payables (note i)	(3,294)	(2,306)
Current portion	266,822	181,853

Notes:

- (i) Other payables are non-interest-bearing and have an average payment terms of three to six months, except for the amount of HK\$3,294,000 (2024: HK\$2,306,000) which is repayable after twelve months.
- (ii) Accruals are interest-free and have an average payment terms of three months.
- (iii) The amount is unsecured, interest-free and repayable in 2026.

19 TRADE AND OTHER PAYABLES (Continued)

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

	2025 HK\$'000	2024 HK\$'000
Within 1 month	88,203	64,756
1 to 2 months	29,695	21,781
2 to 3 months	16,795	6,312
Over 3 months	15,303	12,311
	149,996	105,160

The trade payables are non-interest bearing and are normally settled on terms ranging from 30 to 90 days.

20 CONTRACT LIABILITIES

The movements of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	7,436	–
Recognised as revenue	(7,604)	–
Receipt of advances or recognition of receivables	10,056	7,436
Exchange adjustment	168	–
At 31 December	10,056	7,436

For the year ended 31 December 2025, there is an increase in the overall contract activities and customer base of the Group and the negotiation of larger prepayments, thereby increasing the amount arising from the receipt of advances or recognition of receivables.

At the end of reporting period, the contract liabilities that are expected to be recovered within 12 months.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are partially unsatisfied at 31 December 2025 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BANK AND OTHER LOANS

At 31 December 2025, the bank and other loans were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Bank loans		
– Secured (note i)	117,143	110,000
– Secured with demand clause (note ii)	65,423	171,541
– Unsecured (note iii)	4,011	4,242
	186,577	285,783
Other loans – Non-controlling shareholders		
– Unsecured (note iv)	5,381	5,981
	191,958	291,764

The maturity of the bank loans and analysis of the amount due based on scheduled payment dates set out in the loan agreements are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	37,558	128,040
In the second year	20,227	15,863
In the third to fifth years, inclusive	55,152	52,835
Over 5 years	73,640	89,045
	186,577	285,783
Portion classified as current liabilities	(78,790)	(281,965)
	107,787	3,818

The maturity of the other loans is as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year – current liabilities	5,381	5,981

21 BANK AND OTHER LOANS (Continued)

Notes:

- (i) The amount was guaranteed by the Company, a subsidiary of the Company, secured by the interests in subsidiaries of the Company, interest bearing at 5-year Loan Prime Rate ("LPR") minus 30 basis points and repayable between 2026 to 2031. Although the loan contains a clause in their terms that gives the lender an overriding right to demand repayment without notice at its sole discretion, the lender has provided a written clarification indicating that it would not exercise such right provided that the Group maintains sufficient funds in the designated supervised account to cover the loan principal and interest due within the next twelve months. As at 31 December 2025, the Group maintained an amount equivalent to the principal and interest due within the next twelve months in the designated supervised account, approximately RMB15,314,000 (equivalent to HK\$17,041,000), and therefore, the lender would not exercise their rights to demand repayment. In 2024, this loan amounted to approximately HK\$123,818,000 were guaranteed by the Company, a subsidiary of the Company and the interests in subsidiaries of the Company, interest bearing at LPR minus 30 basis points and repayable between 2025 to 2031 and with a clause in their terms that gave the lender an overriding right to demand repayment without notice at its sole discretion, were classified as current liabilities and recorded under the secured bank loan with demand clause in below note (ii) even though the directors did not expect that the lender(s) would exercise their rights to demand repayment. (2024: secured by a deposit of HK\$20,000,000, guaranteed by the Company and certain of its subsidiaries, interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.5% over 1-month HIBOR and repayable in 2025).
- (ii) The amounts were secured by certain land and buildings with carrying amount of RMB193,500,000 (equivalent to HK\$215,327,000), guaranteed by the Company and a subsidiary of the Company, interest bearing at HIBOR plus 1% over 1-month HIBOR and 2.95% to 3.45% per annum and repayable between 2026 to 2033 (2024: secured by certain land and buildings with carrying amount of RMB198,503,000 (equivalent to HK\$210,512,000), guaranteed by the Company and a subsidiary of the Company, interest bearing at 2.95% to 3.2% per annum and repayable between 2025 to 2033). These loans are with a clause in their terms that gives the lender an overriding right to demand repayment without notice at its sole discretion, are classified as current liabilities even though the directors do not expect that the lender(s) would exercise their rights to demand repayment.
- (iii) The amounts were unsecured, interest bearing at 5% per annum, repayable between 2026 to 2027 and guaranteed by certain subsidiaries of the Company and the NCI (2024: unsecured, interest bearing at 5% per annum, repayable between 2025 to 2027 and guaranteed by certain subsidiaries of the Company and the NCI).
- (iv) The amounts were unsecured, interest bearing at 3.05% per annum and repayable in 2026 (2024: interest bearing at 3.5% per annum and repayable in 2025).

Further details of the Group's management of liquidity risk are set out in note 27 to the consolidated financial statements.

22 LEASE LIABILITIES

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

	2025 HK\$'000	2024 HK\$'000
Within 1 year	1,053	957
After 1 year but within 2 years	271	1,477
After 2 years but within 5 years	—	258
	1,324	2,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED INCOME

	2025 HK\$'000	2024 HK\$'000
At 1 January	1,013	1,262
Additions	4,554	1,030
Credited to profit or loss	(599)	(1,238)
Exchange adjustment	153	(41)
At 31 December	5,121	1,013
Net carrying amounts representing:		
Current portion	624	585
Non-current portion	4,497	428
	5,121	1,013

As at 31 December 2025 and 31 December 2024, deferred income of the Group mainly included various conditional government grants for technological improvement and Research and Development projects.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Since 2011, the Company had adopted a Share Option Scheme (the "2011 Scheme"). The purpose of the 2011 Scheme was to provide incentives and rewards to eligible participants for their contribution to the Group, and/or to enable the Group to recruit and retain high-calibre employees and attract the human resources that are valuable to the Group and any entity in which the Group holds any equity interest. The options of the 2011 Scheme vest on 1 September 2018, 3 April 2020 and 10 May 2021 respectively, and are exercisable before 31 August 2022, 28 February 2026 and 28 February 2026 respectively.

As at 14 January 2022, 2022 Share Option Scheme (the "2022 Scheme") was approved and adopted by the Extraordinary General Meeting. The Company can grant options to participants to subscribe for up to approximately 105,225,413 shares, representing 10% of the issued share capital of the Company. The share option scheme intends to cover any eligible employees and any non-executive directors (including independent non-executive directors) of the Group. The options of the 2022 Scheme vest on 17 September 2022 and 7 July 2024 and are exercisable before 17 September 2026 and 6 July 2029 respectively.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

2011 Scheme

	Number of share options outstanding	Exercise period	Contractual life of options
Options granted to directors:			
– on 3 April 2020	40,000,000	1 March 2021 – 28 February 2026	6 years
Options granted to employees:			
– on 3 April 2020	9,000,000	1 March 2021 – 28 February 2026	6 years
– on 10 May 2021	1,700,000	1 April 2022 – 28 February 2026	5 years
	10,700,000		
Options granted to a supplier:			
– on 3 April 2020	2,000,000	1 March 2021 – 28 February 2026	6 years
Total share options outstanding at the end of the year	52,700,000		

2022 Scheme

	Number of share options outstanding	Exercise period	Contractual life of options
Options granted to directors:			
– on 17 March 2022	45,000,000	17 September 2022 – 17 September 2026	4 years
Options granted to employees:			
– on 17 March 2022	4,200,000	17 September 2022 – 17 September 2026	4 years
– on 7 July 2023	1,000,000	7 July 2024 – 6 July 2029	5 years
	5,200,000		
Total share options outstanding at the end of the year	50,200,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

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

2011 Scheme

	2025		2024	
	Weighted average exercise price HK\$ per share	Number of share options outstanding '000	Weighted average exercise price HK\$ per share	Number of share options outstanding '000
At 1 January	0.90	53,900	0.90	54,700
Lapsed during the year	0.90	(1,200)	0.90	(800)
At 31 December	0.90	52,700	0.90	53,900
Exercisable at the end of the year	0.90	52,700	0.90	53,900

The option outstanding at 31 December 2025 had an exercise price of HK\$0.90 (2024: HK\$0.90) and a weighted average remaining contractual life of 0.16 years (2024: 1.16 years).

2022 Scheme

	2025		2024	
	Weighted average exercise price HK\$ per share	Number of share options outstanding '000	Weighted average exercise price HK\$ per share	Number of share options outstanding '000
At 1 January	0.90	50,200	0.90	50,700
Lapsed during the year	–	–	0.90	(500)
At 31 December	0.90	50,200	0.90	50,200
Exercisable at the end of the year	0.90	50,200	0.90	50,200

The share options outstanding at 31 December 2025 had an exercise price of HK\$0.90 (2024: HK\$0.90) and a weighted average remaining contractual life of 0.77 years (2024: 1.77 years).

25 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
At 1 January	5,274	11,391
Provision for current income tax	11,190	11,029
Income tax paid	(6,704)	(13,400)
Exchange adjustment	(2,824)	(3,746)
At 31 December	6,936	5,274

(b) Deferred tax assets and liabilities recognised:

(i) **Movement of each component of deferred tax assets and liabilities**

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

	Deferred tax assets			Deferred tax liabilities		
	Provision for impairment of assets HK\$'000	Deductible tax loss HK\$'000	Deferred income HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Investment properties revaluation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000
At 1 January 2024	15,046	1,327	189	(562)	(18,210)	(15,449)
Deferred tax credited (charged) to the statement of profit or loss during the year	(1,990)	125	(31)	238	2,574	1,757
Exchange adjustment	(481)	-	(6)	5	(471)	57
At 31 December 2024 and 1 January 2025	12,575	1,452	152	(319)	(16,107)	(13,635)
Deferred tax credited (charged) to the statement of profit or loss during the year	2,858	-	593	(139)	(22)	1,755
Exchange adjustment	93	-	23	(39)	(795)	(155)
At 31 December 2025	15,526	1,452	768	(497)	(16,924)	(12,035)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2025 HK\$'000	2024 HK\$'000
Net deferred tax asset recognised in the consolidated statement of financial position	17,746	14,179
Net deferred tax liability recognised in the consolidated statement of financial position	(29,456)	(30,061)
	(11,710)	(15,882)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$340,654,000 (2024: HK\$319,044,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The unrecognised tax losses will expire in the following years:

	2025 HK\$'000	2024 HK\$'000
Tax losses without expiration	16,112	17,655
Tax losses expiring in:		
2025	–	9,752
2026	28,790	25,631
2027	26,135	26,137
2028	16,850	17,043
2029	18,332	15,897
2030	35,667	–
2031	–	–
2032	49,741	49,806
2033	33,022	75,082
2034	81,198	82,041
2035	34,807	–
	340,654	319,044

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

(c) Deferred tax assets not recognised (Continued)

The tax losses for the subsidiaries in Hong Kong do not expire under current Hong Kong tax legislation. The tax losses for the subsidiaries in the PRC will be expiring in 5-10 years as certain subsidiaries qualified as “High & New Technological Enterprise” stated in note 6(a)(iii) to the consolidated financial statements can enjoy a longer expiry.

(d) Deferred tax liabilities not recognised

At 31 December 2025, temporary differences relating to the undistributed profits of subsidiaries amounted to HK\$601,356,000 (2024: HK\$571,381,000). Deferred tax liabilities of HK\$30,068,000 (2024: HK\$28,569,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company 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.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements 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:

	Share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Proposed dividends HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2024	105,225	472,201	7,905	(9,958)	51,735	-	790,565	1,417,673
Changes in equity for 2024								
Total comprehensive loss for the year	-	-	-	-	-	-	(6,300)	(6,300)
Balance at 31 December 2024	105,225	472,201	7,905	(9,958)	51,735	-	784,265	1,411,373
Changes in equity for 2025								
Total comprehensive loss for the year	-	-	-	-	-	-	(3,807)	(3,807)
Final dividends proposed (Note 26(b))	-	-	-	-	-	29,463	(29,463)	-
Balance at 31 December 2025	105,225	472,201	7,905	(9,958)	51,735	29,463	750,995	1,407,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

	2025 HK\$'000	2024 HK\$'000
Attributable to the current year:		
Proposed final dividend – HK2.8 cents per share (2024: Nil)	29,463	–

The final dividend proposed for the year ended 31 December 2025 proposed after the end of the reporting period are subject to shareholders' approval at the forthcoming annual general meeting. These dividends have not been recognised as liabilities at the end of the reporting period.

(c) Issued share capital

	2025		2024	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	2,000,000	200,000	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	1,052,254	105,225	1,052,254	105,225

(d) Nature and purpose of reserves

(i) Statutory reserve

In accordance with the law of the PRC on wholly foreign-owned investment enterprises, each of the Company's subsidiaries which are registered in the mainland China is required to transfer at least 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owner. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w) to the consolidated financial statements.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Contributed surplus

The Group's contributed surplus represented the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, and the nominal value of the Company's shares issued in exchange therefor.

(iv) Statutory public welfare fund reserve

The statutory public welfare fund is made at the discretion of the directors at 5% of the net profit of the Company's subsidiaries which are registered in the Mainland China in prior years. The statutory public welfare fund can be used for employee's welfare facilities. The directors did not resolve to make any transfer of retained profits to the statutory public welfare fund for the year ended 31 December 2025 (2024: Nil).

(v) Properties revaluation reserve

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in note 1(h) to the consolidated financial statements.

(vi) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(vii) Share option reserve

Share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 1(s)(iii) to the consolidated financial statements.

(viii) Other reserve

The amount represents share of change in equity of an associate arising from capital contribution on an associate by other shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributability of reserves

As at 31 December 2025, the aggregate amount of distributable reserves before deducting the proposed final dividends of the Company, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$1,242,701,000 (2024: HK\$1,246,508,000).

(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 maintain a balance between the higher shareholder 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 an adjusted net cash-to-capital ratio. For this purpose, adjusted net cash is defined as total cash less interest-bearing loans and borrowings. Adjusted capital comprises all components of equity.

During 2025, the Group's strategy, which was unchanged from 2024, was to maintain the cash-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's adjusted net cash-to-capital ratio at 31 December 2025 and 2024 was as follows:

	Note	2025 HK\$'000	2024 HK\$'000
Cash and cash equivalents	18	434,804	515,160
Pledged and restricted deposits	18	18,599	34,733
Less: Bank and other loans	21	(191,958)	(291,764)
Adjusted net cash		261,445	258,129
Total equity		2,074,082	1,947,918
Adjusted net cash-to-capital ratio		13%	13%

Except for the banking facilities which require the fulfilment of covenants relating to certain of the Group's financial ratios to the consolidated financial statements, the Group is not subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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 the 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 and other receivables.

In respect of trade and other receivables, the Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's 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 due within 60 - 120 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Trade receivables and contract assets

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3.67% (2024: 4.18%) and 17.27% (2024: 16.42%) of the total trade receivables and contract assets was due from the Group's largest debtor and the five largest debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

Trade receivables

	Expected loss rate %	2025 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.10%	261,779	(279)
1 - 90 days past due	0.20%	62,482	(125)
91 - 180 days past due	0.50%	10,990	(55)
181 - 365 days past due	5.00%	4,112	(206)
Over 1 years past due	100.00%	3,010	(3,010)
		342,373	(3,675)

	Expected loss rate %	2024 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.10%	242,504	(213)
1 - 90 days past due	0.20%	55,083	(110)
91 - 180 days past due	0.50%	9,469	(47)
181 - 365 days past due	5.00%	3,878	(194)
Over 1 years past due	100.00%	2,036	(2,036)
		312,970	(2,600)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Contract assets

	Expected loss rate %	2025 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Hydraulic industry	–	21,566	–
CNC lathes industry	–	19,961	–
		41,527	–

	Expected loss rate %	2024 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Hydraulic industry	–	3,639	–
CNC lathes industry	–	21,565	–
		25,204	–

Expected loss rates are based on available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	2,600	8,086
Increase (Decrease) in allowance	986	(5,437)
Exchange adjustment	89	(49)
Balance at 31 December	3,675	2,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Other receivables

The management determines that certain other receivables are credit-impaired after taken into account the age of these balances and the past settlement history of these parties.

The Company considers that the remaining other receivables from third parties as at 31 December 2025 have low credit risk based on these parties' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. In estimating the ECL and whether these balances are credit-impaired, the Company has taken into account the historical actual credit loss experience over the past 3 years and the financial position of respective parties by reference to, among others, their management accounts, adjusted for forward-looking factors, in estimating the probability of default, as well as the loss upon default. The management of the Company considers the ECL of these balances to be insignificant so no loss allowance was recognised in this respect.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	2,691	2,236
Increase in allowance	–	513
Exchange adjustment	102	(58)
Balance at 31 December	2,793	2,691

Pledged and restricted bank balances

Substantially all of the Group's pledged and restricted banks balances were deposited in creditworthy global banks and licensed financial institutions in the PRC, which management considers they are without significant credit risks.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the 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 end of the reporting period) and the earliest date the Group can be required to pay:

	2025					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Over 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank and other loans	23,478	20,896	51,918	55,126	151,418	126,535
Bank loans subject to a repayment on demand clause	77,218	–	–	–	77,218	65,423
Trade and other payables	231,680	3,294	–	–	234,974	234,974
Lease liabilities	1,061	265	–	–	1,326	1,324
	333,437	24,455	51,918	55,126	464,936	428,256

	2024					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Over 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank and other loans	118,269	610	3,462	–	122,341	120,223
Bank loans subject to a repayment on demand clause	215,204	–	–	–	215,204	171,541
Trade and other payables	137,014	2,306	–	–	139,320	139,320
Lease liabilities	1,061	1,061	265	–	2,387	2,692
	471,548	3,977	3,727	–	479,252	433,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (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 bank and other loans. Bank and other loans issued at variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

	2025		2024	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Variable rate borrowings:				
Bank loans	HIBOR +1%	120,000	HIBOR +1.5%	110,000

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately HK\$1,002,000 (2024: HK\$919,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2024.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash 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 currency giving rise to this risk is primarily Euro dollar and Renminbi.

(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 recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies 2025	
	Euros HK\$	Renminbi HK\$
Trade and other receivables	27,341	413,022
Cash and cash equivalents	13,463	338,280
Trade and other payables	(4,026)	(230,595)
Bank and other loans	–	(179,958)
Gross and net exposure arising from recognised assets and liabilities	36,778	340,749

	Exposure to foreign currencies 2024	
	Euros HK\$	Renminbi HK\$
Trade and other receivables	16,780	350,809
Cash and cash equivalents	10,439	422,747
Trade and other payables	(2,449)	(193,540)
Bank and other loans	–	(181,764)
Gross and net exposure arising from recognised assets and liabilities	24,770	398,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (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) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2025		2024	
	Increase in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000	Increase in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000
Euros	5%	1,535	5%	1,034
Renminbi	5%	14,226	5%	16,627

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currency, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Investment properties and financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's investment properties and financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 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.

	Fair value measurements as at 31 December 2025 categorised into			
	Fair value at 31 December 2025 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Investment properties	130,977	–	–	130,977
Equity securities				
– ordinary shares of a listed entity	13,584	–	–	13,584
– unlisted equity security in Hong Kong	20,393	–	–	20,393
Goodwill – Yutai Hydraulic Group	59,456	–	–	59,456
Total	224,410	–	–	224,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Investment properties and financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2024 HK\$'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Investment properties	125,974	–	–	125,974
Equity securities				
– equity securities listed in Hong Kong	3,369	3,369	–	–
– ordinary shares of a listed entity	10,948	–	–	10,948
– unlisted equity security in Hong Kong	16,508	–	–	16,508
Goodwill – Yutai Hydraulic Group	56,661	–	–	56,661
Total	213,460	3,369	–	210,091

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.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties (note 1)	Discounted cash flow	Term yield and revisionary yield	5.4% to 6.6% (2024: 5.2% to 6.6%)
		Occupancy rate	88.0% and 90.0% (2024: 88.0% and 92.0%)
		Market rent	15.71RMB/m ² to 17.79RMB/m ² (2024: 15.99RMB/m ² to 17.60RMB/m ²)
Equity securities			
– Ordinary Shares of a listed entity (note 2)	Expected cash flow	Internal rate of return	15% (2024: 15%)
– Unlisted equity security in Hong Kong (note 3)	Market-based approach	Discount of lack of marketability	20.4% (2024: 20.4%)
		Enterprise-value-to-sale multiples	2.93 (2024: 3.56)
Goodwill			
– Yutai Hydraulic Group (note 4)	Market-based approach	Control Premium	30.2% (2024: 32.6%)
		Discount of lack of marketability	20.4% (2024: 20.4%)
		Enterprise-value-to-sale multiples	4.78 (2024:4.04)
		Assets based approach	
		Price trends	0.97 to 1.13 (2024: 0.96 to 1.06)
		Age factor	5.0% to 98.6% (2024: 5.0% to 99.4%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(iii) Information about Level 3 fair value measurements (Continued)

- Note 1: The fair value of investment properties located in the Mainland China is determined by discounting a projected cash flow series associated with the properties using risk-adjusted yields. The valuation takes into account market rent and occupancy rate of the respective properties. The yields used have been adjusted for the size and age of the buildings and asking. The fair value measurement is positively correlated to the occupancy rate, and negatively correlated to the risk-adjusted yields. Assuming the risk-adjusted yields remains unchanged, the lower the market rent and occupancy rate, the lower the fair value. If the market rent and occupancy rate were increased/decreased by 5% (2024: 5%), the fair value of the investment properties would be 5% (2024: 5%) higher/lower.
- Note 2: The fair value of ordinary shares of a listed entity is evaluated by the directors of the Company with reference to expected cash flow of the ordinary shares. The higher the internal rate of return, the higher the fair value. If the internal rate of return was increased/decreased by 2% (2024: 2%), the fair value of ordinary shares would be 8% (2024: 5%) higher/lower.
- Note 3: The fair value of unlisted equity security in Hong Kong is determined under a market approach. The valuation takes into account the discount of lack of marketability and enterprise-value-to-sales multiples of the respective business. The discount of lack of marketability was the average of the percentage variance of private placement price and market reference price of transactions, the level of value is presented on freely trade and non-controlling basis. The multiples were estimated by the median of the multiples of the selected companies whose principal business were comparable to that company. The higher the multiples while other parameters remain constant, the higher the fair value. The higher the discount for lack of marketability while other parameters remain constant, the lower the fair value. If the discount for lack of marketability rate and the multiples were increased/decreased by 1%, the fair value of the unlisted equity security in would be 1% higher/lower.
- Note 4: The recoverable amount of Yutai Hydraulic Group is determined under market-based and asset-based approaches. The market-based approach takes into account the discount of lack of marketability, control premium and enterprise-value-to-sale multiples of the respective business. The control premium was adopted to reflect the degree of control associated with 100% equity interests of the company. A discount for lack of marketability is adopted because the comparable companies are publicly listed and their market prices reflect full liquidity, whereas the target company is a private entity with limited marketability. The multiples were estimated by the median of the multiples of the selected companies whose principal business were comparable to that company. The higher the multiples while other parameters remain constant, the higher the fair value. The higher the discount for lack of marketability while other parameters remain constant, the lower the fair value. If the discount of lack of marketability was increased/decreased by 5% while other parameters remain constant, the recoverable amount of Yutai Hydraulic Group would be 6% lower/higher. If the price trends were increased/decreased by 5% while other parameters remain constant, the recoverable amount of Yutai Hydraulic Group would be 0.1% higher/lower.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(iii) Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Investment properties HK\$'000	Ordinary shares of a listed entity HK\$'000	Unlisted equity security in Hong Kong HK\$'000	Total HK\$'000
At 1 January 2025	125,974	10,948	16,508	153,430
Fair value adjustment	–	2,636	3,885	6,521
Exchange adjustment	5,003	–	–	5,003
At 31 December 2025	130,977	13,584	20,393	164,954

	Investment properties HK\$'000	Preferred shares of a non-listed entity HK\$'000	Unlisted equity security in Hong Kong HK\$'000	Total HK\$'000
At 1 January 2024	130,189	10,505	–	140,694
Fair value adjustment	(732)	443	16,508	16,219
Exchange adjustment	(3,483)	–	–	(3,483)
At 31 December 2024	125,974	10,948	16,508	153,430

28 COMMITMENTS

Capital commitments outstanding at 31 December 2025 not provided for in the consolidated financial statements were as follows:

	2025 HK\$'000	2024 HK\$'000
Contracted for:		
– Plant and machinery	3,027	3,299
– Buildings	5,733	15,321
	8,760	18,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and other benefits in kind	8,935	8,856
Discretionary bonuses	2,334	2,135
Pension scheme contributions	564	455
	11,833	11,446

Total remuneration is included in "staff costs" (see note 5(b) to the consolidated financial statements).

Investment from a related party

In 2021, a subsidiary of the Group agreed with a related party, in the capacity of the subsidiary's minority shareholder, to obtain a capital injection of RMB15,000,000 (equivalent to HK\$16,692,000) (2024: RMB15,000,000 (equivalent to HK\$15,907,500)) by instalments over a three-year period. The above-mentioned related party is owned by a director of the Company, and a director and general manager of certain subsidiaries of the Group. In January 2022 and March 2024, the subsidiary received first and second batch of injection amounted to RMB1,500,000 (equivalent to HK\$1,669,200) and RMB5,000,000 (equivalent to HK\$5,564,000) respectively (2024: RMB1,500,000 (equivalent to HK\$1,590,750) and RMB5,000,000 (equivalent to HK\$5,302,500) respectively) from this related party. In December 2025, the subsidiary received third batch of injection amounted to RMB1,270,000 (equivalent to HK\$1,413,256). The remaining unpaid capital of RMB7,230,000 (equivalent to HK\$8,045,544) is further agreed among the subsidiary of the Group and the related party that the injection will make by 31 December 2026.

Other than the above investment from a related party, 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.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Investments in subsidiaries	43	43
Amounts due from subsidiaries	1,435,575	1,441,125
Total non-current assets	1,435,618	1,441,168
Current assets		
Financial assets at FVPL	13,584	10,944
Prepayments, deposits and other receivables	457	328
Cash and cash equivalents	1,665	549
Total current assets	15,706	11,821
Current liability		
Other payables and accruals	1,102	1,139
Net current assets	14,604	10,682
Total assets less current liabilities	1,450,222	1,451,850
Non-current liability		
Amounts due to subsidiaries	42,656	40,477
Net assets	1,407,566	1,411,373
Equity		
Issued capital	105,225	105,225
Reserves (Note 26(a))	1,302,341	1,306,148
Total equity	1,407,566	1,411,373

This statement of financial position was approved and authorised for issue by the Board of the Directors on 27 March 2026 and is signed on its behalf by:

Zeng Guangsheng
Director

Ng Hoi Ping
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, and new standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7, <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to HKFRS Accounting Standards, <i>Volume 11</i>	1 January 2026
Amendments to HKFRS 9 and HKFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
HKFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to HKAS 21, <i>Translation to Hyperinflationary Presentation Currency</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors of the Company are 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.

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