IMPRO PRECISION INDUSTRIES LIMITED
鷹普精密工業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1286)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- 2023 revenue of HK$4,604.4 million (2022: HK$4,354.7 million), a year-on-year increase of 5.7%
- Strong year-on-year revenue growth rate of 47.7% in Aerospace, Energy & Medical end-market
- Gross profit decreased by 6.6% to HK$1,178.3 million (2022: HK$1,261.0 million) and gross profit margin was 25.6% (2022: 29.0%)
- Profit attributable to shareholders of the Company increased to HK$585.1 million (2022: HK$582.0 million), a year-on-year increase of 0.5%
- Adjusted profit attributable to shareholders of the Company decreased to HK$532.0 million (2022: HK$649.1 million), a year-on-year decrease of 18.0%
- The Board resolved to declare a second interim dividend of 8.0 HK cents per share. Together with the first interim dividend of 8.0 HK cents per share, total dividend for the year ended 31 December 2023 amounted to 16.0 HK cents per share, equivalent to approximately 57% dividend payout ratio based on adjusted profit attributable to shareholders of the Company

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby report to the shareholders the annual results of Impro Precision Industries Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Impro**") for the year ended 31 December 2023.

During the year ended 31 December 2023, the revenue of the Group amounted to HK$4,604.4 million, representing a year-on-year increase of 5.7%. Profit attributable to shareholders of the Company (the "**Shareholders**") amounted to HK$585.1 million, representing a year-on-year increase of 0.5%. If excluding the recognition of deferred tax assets by a Turkish subsidiary of HK$80.8 million in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code (net of 10% dividend withholding tax), Nantong fire incident insurance claims received (net of tax) of HK$14.6 million, the amortization and depreciation charges in relation to the past purchase price allocation of HK$36.2 million and the accrued employee severance expenses (net of tax) related to the relocation of the Foshan Ameriforge Plant (佛山美鍛工廠) to Nantong and its merger with Nantong Plant 12 of HK$6.1 million, the adjusted profit attributable to the Shareholders amounted to HK$532.0 million, representing a year-on-year decrease of 18.0%. The basic earnings per share amounted to 31.0 HK cents (year ended 31 December 2022: 30.9 HK cents). Taking into account the sound cash flow position and business prospects of the Group, in lieu of a final dividend, the Board resolved to declare a second interim dividend of 2023 of 8.0 HK cents per share. Along with the first interim dividend of 2023 of 8.0 HK cents per share, dividend for the year amounted to 16.0 HK cents per share (year ended 31 December 2022: 16.0 HK cents).

In 2023, the Group experienced robust growth of revenue of 47.7% in the aerospace, energy and medical end-markets, which was mainly driven by the post-pandemic recovery of the aerospace industry, strong growth in energy end-market and the additional revenue resulting from the acquisition of Foshan Ameriforge in August 2022. However, the global diversified industrials end-markets showed a downward trend since the second quarter of 2023, which were more rampant in the third quarter before starting to become more stable in the fourth quarter. Apart from this, the sales and profit growth of the Group were also under pressure against the backdrop of the very challenging macro-economic environment. In addition, the Group's new Mexican plants remained in the ramp-up stage during the year. Coupled with substantial increase of depreciation charges, higher inflation rate and 12% appreciation of Mexican currency exchange rate against US dollars, the new Mexican plants recorded loss after tax of over HK$100 million for the year due to a surge in operating costs. Since the Nantong plant was still under reconstruction after the fire incident, while most of the production lines remained suspended, it recorded loss after tax exceeding HK$30 million for the year. In addition, the Group's interest cost for the year increased significantly by over HK$50 million year-on-year and Turkish plants' operating costs rocketed as a result of elevated inflation. Although most of the plants in the PRC achieved satisfactory operating performance, it was not sufficient to fully offset the above unfavorable factors, thus resulting in a decrease of 18.0% in the Group's adjusted profit attributable to the Shareholders in 2023.

Revenue by end-market

The Group sells its products to worldwide customers in diversified end-markets. During the year, the aerospace, energy and medical end-markets experienced strong growth, with revenue significantly increased to HK$696.1 million, representing a year-on-year increase of 47.7%. The increase was mainly attributable to the recovery of global aerospace market, increased market share and the development and mass production of new products, coupled with higher revenue growth in this segment driven by strong sales growth of Foshan Ameriforge acquired by the Group in August 2022. Sales in the energy end-market surged by 134.8%, mainly driven by the Foshan Ameriforge business acquired by the Group; and sales in the medical end-market decreased as a result of the inventory adjustments by certain major customers. In addition, the Group reviewed the final product application scenarios of certain aerospace and medical customers and reclassified sales to others diversified industrials end-markets in 2023, corresponding data of 2022 have also been reclassified.

Furthermore, demand from the customers for the global diversified industrials end-markets exhibited a declining trend since the second quarter of 2023, resulting in a 7.4% year-on-year decrease in sales during the second half of 2023, and revenue from this end-market only increased by 1.4% year-on-year to HK$2,213.6 million in 2023. Among which, revenue from the agricultural equipment end-market increased by 19.2% year-on-year to HK$421.0 million during the year. The revenue growth was mainly driven by the sustained increase in demand for agricultural equipment in the United States and the hydraulic orbital motor business acquired by the Group in the second half of 2022. Affected by high interest rates, macro-economic slowdown and customers' inventory adjustments, the sales revenue of the recreational boats and vehicles end-market and other diversified industrials end-markets decreased by 12.3% and 18.6% year-on-year to HK$217.7 million and HK$384.3 million respectively.

The overall demand from the European and American automotive markets increased steadily in 2023. However, the slowdown of the PRC's economy and the fire incident in early June 2022 at the Nantong plant, which mainly serves the automotive market in China, disrupted the production and dampened the revenue growth of the passenger car end-market during the year. Despite these challenges, sales revenue increased by 3.9% to HK$834.9 million as compared to 2022. However, the commercial vehicle end-market suffered from decreasing demand from the US and European markets during the second half of 2023, with the sales revenue of commercial vehicles end-market decreased by 4.0% to HK$859.8 million during the year.

In local currencies, the revenue of the Group increased by 5.8% as compared to the year ended 31 December 2022. In 2023, the negative impact brought by the 4.4% depreciation of RMB against HK$ was basically offset by the 3.3% appreciation of Euro against HK$ during the same period.

	Year ended 31 December					
	2023		2022		Increase/Decrease	
By End-market	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Diversified Industrials	**2,213.6**	**48.1%**	**2,183.8**	**50.1%**	**29.8**	**1.4%**
— Construction Equipment	695.0	15.1%	646.9	14.9%	48.1	7.4%
— High Horsepower Engine	495.6	10.8%	463.1	10.6%	32.5	7.0%
— Agricultural Equipment	421.0	9.1%	353.3	8.1%	67.7	19.2%
— Recreational Boat and Vehicle	217.7	4.7%	248.2	5.7%	(30.5)	-12.3%
— Others	384.3	8.4%	472.3	10.8%	(88.0)	-18.6%
Automotive	**1,694.7**	**36.8%**	**1,699.5**	**39.1%**	**(4.8)**	**-0.3%**
— Commercial Vehicle	859.8	18.7%	896.0	20.6%	(36.2)	-4.0%
— Passenger Car	834.9	18.1%	803.5	18.5%	31.4	3.9%
Aerospace, Energy & Medical	**696.1**	**15.1%**	**471.4**	**10.8%**	**224.7**	**47.7%**
— Aerospace	424.9	9.2%	281.1	6.4%	143.8	51.2%
— Energy	170.2	3.7%	72.5	1.7%	97.7	134.8%
— Medical	101.0	2.2%	117.8	2.7%	(16.8)	-14.3%
Total	**4,604.4**	**100.0%**	**4,354.7**	**100.0%**	**249.7**	**5.7%**

Revenue by business segment

In terms of business segments, benefiting from the sales growth contributed by the hydraulic orbital motor business acquired by the Group in the second half of 2022 and driven by the increasing demand from customers of precision machining plants in Mexico and Turkey, the precision machining and others business achieved a substantial growth of 21.7%. The sales of sand casting and investment casting businesses were mainly affected by the decline in customer demand from diversified industrials end-markets in the second half of 2023 and their revenues only increased slightly by 1.0% and 0.8% respectively. Affected by the fire incident in Nantong plant in early June 2022, the Group’s revenue from the surface treatment business decreased by 62.6% year-on-year in 2023.

Year ended 31 December						
	2023		2022		Increase/Decrease	
By Business Segment	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Investment casting	1,914.8	41.6%	1,899.6	43.7%	15.2	0.8%
Precision machining and others	1,808.3	39.3%	1,486.0	34.1%	322.3	21.7%
Sand casting	823.9	17.9%	815.6	18.7%	8.3	1.0%
Surface treatment	57.4	1.2%	153.5	3.5%	(96.1)	-62.6%
Total	**4,604.4**	**100.0%**	**4,354.7**	**100.0%**	**249.7**	**5.7%**

Revenue by geographical market

In 2023, the Group's revenue growth in Europe was the strongest, with an increase of 10.6%, while the revenue in the Americas also recorded a growth of 5.2%. In Asia, the revenue flattened out year-on-year, among which the revenue from the PRC region declined by 2.2%, primarily due to the fire incident at the Nantong plant in early June 2022 and the economic slowdown in the PRC.

Year ended 31 December						
	2023		2022		Increase/Decrease	
By Geographical Market	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Americas	**2,233.3**	**48.5%**	**2,123.0**	**48.8%**	**110.3**	**5.2%**
— United States	2,019.0	43.8%	1,957.7	45.0%	61.3	3.1%
— Others	214.3	4.7%	165.3	3.8%	49.0	29.6%
Europe	**1,502.7**	**32.6%**	**1,358.4**	**31.2%**	**144.3**	**10.6%**
Asia	**868.4**	**18.9%**	**873.3**	**20.0%**	**(4.9)**	**-0.6%**
— PRC	736.6	16.0%	753.3	17.3%	(16.7)	-2.2%
— Others	131.8	2.9%	120.0	2.7%	11.8	9.8%
Total	**4,604.4**	**100.0%**	**4,354.7**	**100.0%**	**249.7**	**5.7%**

CORPORATE DEVELOPMENT AND STRATEGY

In 2023, as the world entered the post-pandemic era, Impro's forward-looking strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engines" were effectively implemented, which enabled the Group to navigate the fluctuations and risks arising from different end-markets, resulting in resilient sales revenue growth during the year. Despite facing various market challenges, the Group maintained a very strong cash flow overall during the year. The trade receivables and inventory amounts of the Group decreased as compared to 2022, while working capital has been controlled effectively, resulting in an increase in operating cash flow of 53.0% to HK$1,281.4 million. After paying capital expenditures of HK$711.4 million and dividends to Shareholders of HK$301.7 million, the Group's net debt as of 31 December 2023 decreased by HK$95.7 million as compared to 31 December 2022.

As the global economy gradually recovers from the pandemic, a number of end-markets has been gradually going back on track, among which the performance of the aerospace and energy end-markets was remarkable and attracted most attention, highlighting the Group's vision and strategic value in strengthening its presence in the aerospace industry. The aerospace end-market is one of the key strategic development directions of Impro. As the international aerospace market has fully resumed its normal operation and the number of competitors in the aerospace supply chain has greatly reduced, coupled with the strong growth in the number of orders after the Group acquired Foshan Ameriforge, a manufacturer of aerospace and energy components, the aerospace and energy end-markets business contributed significantly to the overall growth of the Group during the year. Meanwhile, the Group also continues to develop the medical equipment end-market. There are a considerable number of components in this business that are currently in the development and certification stage as the development and certification cycles of medical equipment are relatively long. With its development potential, it is believed that this segment will become one of the Group's growth engines in the future.

In terms of diversified industrials end-market, the widespread application and rapid development of big data centers related to artificial intelligence have promoted a significant increase in demand for high horsepower engines for distributed power generators. Coupled with reduced competition, the customer base and market share of the Group in Europe and the US have greatly increased, which is expected to drive considerable sales revenue growth in the high horsepower engine end-market in 2024.

The automotive end-market is one of the three end-markets for the Group. Impro continues to maintain a strong competitive advantage in the passenger car market with high quality and value-for-money products, striving to seize higher market share and share of wallet successfully. In the commercial vehicle end-market, a considerable number of new projects are under development, which is expected to drive sales growth in the future. The Group will actively cope with automotive market electrification changes and rapid development, deploy flexibly its resources to continue promoting a stable sales growth in the automotive end-market.

At present, Impro has a total of 21 plants located in the PRC, Germany, Turkey, Czech Republic and Mexico. The Group adheres to the strategies of "Region for Region Manufacturing" and "Dual Source Production" to help customers deal with the effects brought by the supply chain risks arising from the changing multilateral situation. Among which, the Mexico SLP campus, which serves the North American market, has a total of five plants, of which the precision machining plant, sand casting plant and investment casting plant have already commenced production and operations. The remaining aerospace component plant and surface treatment plant are also expected to complete equipment installation in 2024, and will commence aerospace system certification procedures and put into production. By then, the Group's production capacity and service capabilities will be further enhanced while the unique geographical and production advantages of the Mexico SLP campus will be further unleashed, enabling the Group to continue to expand its market share and solidify its global footprint.

Since the fire incident at the Nantong plant in the PRC in early June 2022, the Group has been maintaining close communication with all of its stakeholders, including customers, suppliers and government authorities, to properly handle the aftermath of the fire incident. Efforts have been made to repair the facilities, invest in new equipment, and follow up with insurance claims. Up to 31 December 2023, the Group received insurance claim payments amounting to HK$30.5 million, and negotiations with the insurance company are ongoing for the remaining insurance claims. The Nantong plant resumed production in January 2024, and its business scope has been adjusted and divided into two major plants. Among them, the original Plant 8 will retain part of the surface treatment business, while the newly established Plant 12 will be integrated with Foshan Ameriforge to focus on aerospace and energy components business.

After acquiring the orbital motor business in October 2022, the Group utilized its own funds to build a plant specializing in the production of orbital motors and other fluid power parts and components in Zhenjiang, China, at the beginning of 2023. The first phase of the plant with a gross floor area of 26,720 square meters was completed at the beginning of 2024. In addition, the production lines and offices have already been moved from third-party leased plant to self-owned plant. As such, the operations and production capabilities will be significantly improved. In the future, the Group will vigorously expand this business in overseas markets such as America and Europe, and deeply integrate with other businesses of the Group to actively explore more synergy effects.

In addition to actively expanding its business, Impro has been deeply engaged in the Environment, Social and Governance (ESG) area, and its outstanding performance continues to be highly recognized. During the year, the Group was awarded the "Excellent ESG Enterprise" by Hong Kong Economic Times for the third consecutive year. In addition, the Group was also awarded the "Outstanding Green and Sustainable Loan Issuer (Precision Manufacturing) — Outstanding Visionary Sustainability Linked Loan Performance Indicator" organized by Hong Kong Quality Assurance Agency in recognition of Impro's active issuance of green and sustainable financial instruments to support Hong Kong's development into a green and sustainable financial hub in the region. In January 2024, the Group was once again awarded the Bronze Medal by EcoVadis, a global reputable corporate social responsibility rating agency.

The Group's performance, strategic vision and value growth have also been recognized again by the market, including the "Multi-Regional Enterprise — Outstanding Award" received at the Standard Chartered Corporate Achievement Awards Ceremony 2023 during the year, the "Listed Company Awards of Excellence" by Hong Kong Economic Journal, a major financial media in Hong Kong, for three consecutive years, the "Outstanding Listed Companies Award 2023" from IFAPC and the "Outstanding High-end Manufacturing Enterprise of the Year Award" by China's leading global investment platform Gelonghui.

OUTLOOK

Looking ahead to 2024, the global market remains challenging and the global economy is still shrouded in slowing growth, high inflation rate, potential geopolitical conflicts and multilateral tensions. In the face of challenges, the Group will continue to adhere to the three major strategies of "Global Footprint", "Diversified End-markets", and "Twin Growth Engine", maintain the global cross-regional distribution of business and the characteristics of diversification and dispersion of end-markets, so as to effectively reduce related risks to drive profit stability and growth. Despite the possibility of cyclical fluctuations and downward pressure in certain end-markets of the Group in 2024, the Group remains quite confident in overall business growth prospect in 2024. Considering the Group's total order on hand and future new project development, the Company forecasts that the annual revenue growth will be approximately between 5% and 10% in 2024.

The Group expects the performance of the aerospace end-market business to continue to grow strongly. The international aerospace market has continued to embark on the road to full recovery since 2023, coupled with the significant decrease in the number of competitors in the aerospace supply chain, it is expected that aerospace end-market business will continue to show a strong growth. In addition, in the fourth quarter of 2023, the Group decided to merge Foshan Ameriforge and Nantong Plant 12 in order to further enhance production capacity and operational efficiency, improve the Group's production layout in the aerospace and energy end-markets businesses, so as to more effectively integrate and expand the "Aerotek Business Unit" established by the Group under its forward looking footprint to exert synergies and consolidate the Group's strengths in the aerospace end-market. In addition, with the rapid development of artificial intelligence, the demand for artificial intelligence-related big data centers in the European and American markets has increased significantly, which has led to a substantial increase in demand for high horsepower engines as a critical component of the distributed power generators. The Group expects that the performance of the high horsepower engine end-market will further grow significantly. The Group is also vigorously developing its medical end-market business, which is expected to make an important contribution to the Group's profit growth in the future.

In terms of production, the Mexico SLP campus will further leverage its advantages as a key link in the Group's global production layout. Although the three plants in the campus that have been put into production recorded a higher loss in 2023, the Group is confident and will endeavour to significantly reduce its losses in 2024. As for the remaining aerospace components and surface treatment plants, the Group is striving to complete the installation of production lines and commence aerospace system certification and trial production in 2024. It is anticipated that the ramp-up phase will begin in 2025, effectively supporting the Group's continuous growth in the aerospace end-market. In view of the significant future growth expectations of the Group's Mexico SLP campus, the Group will deploy the second phase plant construction in the Mexico SLP campus, thereby more aggressively expanding its competitive advantages in terms of location, productivity and others. Looking ahead, the Group's capital expenditures are expected to be approximately HK$550 million in 2024, of which approximately HK$260 million will be allocated for capital expenditure on the Mexico SLP campus, while the remaining amount will be utilized mainly for the plants in the PRC and Turkey.

In terms of profit, although the Mexico SLP campus business will lead to greater depreciation costs and staff training costs, extreme high inflation rate in Turkey also resulted in a surge in operating costs for local plants, and forex fluctuations will also inevitably put pressure on the profit margin of the Group; however, with the Mexican plants expected to significantly reduce losses and the resumption of production in the Nantong plant, coupled with stable interest rates and the potential for future decreases, the Group's global operations will bring sufficient opportunities for profit growth.

In the future, the Group will continue to cultivate deeply into the aerospace, energy and medical fields as well as the diversified industrials end-markets, capitalize on its competitive edges in the automotive end-market to consolidate its global manufacturing and marketing network in Asia, Europe and the United States, give full play to the unique advantages of "Global Footprint" and "Diversified End-markets", and respond to the complex and ever-changing global macro market environment with solid business foundation and excellent and flexible adaptability. Meanwhile, the Group will continue to implement the "Twin Growth Engines" strategy and seek for acquisition targets that can bring synergy effects, continue to enhance its research and development capabilities, provide customers with high quality and diverse products and services, continuously achieve self-improvement, and create long-term value and satisfactory returns for its shareholders.

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

LU Ruibo
Chairman and Chief Executive Officer

Hong Kong, 12 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

HK$ million	**Year ended 31 December** **2023**	2022	Change
Revenue	**4,604.4**	4,354.7	5.7%
Gross profit	**1,178.3**	1,261.0	-6.6%
Gross profit margin	***25.6%***	*29.0%*	*-3.4%*
Other revenue	**30.2**	23.9	26.4%
Other net income/(loss)	**20.0**	(24.6)	-181.3%
Selling and distribution expenses	**(158.5)**	(180.7)	-12.3%
As a % of revenue	***3.4%***	*4.1%*	*-0.7%*
Administrative and other operating expenses	**(341.7)**	(334.7)	2.1%
As a % of revenue	***7.4%***	*7.7%*	*-0.3%*
Profit from operations	**728.3**	744.9	-2.2%
Operating profit margin	***15.8%***	*17.1%*	*-1.3%*
Net finance costs	**(108.4)**	(55.9)	93.9%
Profit before taxation	**619.9**	689.0	-10.0%
Income tax	**(33.1)**	(106.2)	-68.8%
Adjusted effective tax rate[1]	***18.4%***	*15.9%*	*2.5%*
Profit for the year	**586.8**	582.8	0.7%
Net profit margin	***12.7%***	*13.4%*	*-0.7%*
Profit attributable to:			
Equity shareholders of the Company	**585.1**	582.0	0.5%
Non-controlling interest	**1.7**	0.8	112.5%
	586.8	582.8	0.7%

Note:

1 Adjusted effective tax rate is computed as below:

	Year ended 31 December **2023** ***HK$ million***	2022 *HK$ million*
Profit before taxation	**619.9**	689.0
Add:		
— Impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident, net of insurance claims received	**(17.2)**	80.4
— Gain on disposal of a Germany plant's land, property and machinery	**–**	(18.3)
— Provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12	**7.2**	–
Adjusted profit before taxation	**609.9**	751.1
Income tax	**(33.1)**	(106.2)
Add: Tax impact on adjusting items above	**1.5**	(13.0)
Less: Recognition of deferred tax assets by a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code (net of 10% dividend withholding tax)	**(80.8)**	–
Adjusted income tax	**(112.4)**	(119.2)
Adjusted effective tax rate	**18.4%**	15.9%

HK$ million	**Year ended 31 December** **2023**	2022	Change
Adjusted profit attributable to shareholders of the Company[1]	**532.0**	649.1	-18.0%
Earnings per share — Basic (HK cents)	**31.0**	30.9	0.3%
Adjusted basic earnings per share (HK cents)	**28.2**	34.5	-18.3%
Dividend per share (HK cents)	**16.0**	16.0	0%
EBITDA[2]	**1,224.9**	1,165.5	5.1%
EBITDA margin	**26.6%**	26.8%	-0.2%
Adjusted EBITDA[3]	**1,214.9**	1,227.6	-1.0%
Adjusted EBITDA margin	**26.4%**	28.2%	-1.8%
Net cash generated from operating activities	**1,281.4**	837.5	53.0%
Free cash inflow from operations[4]	**508.5**	169.0	200.9%

HK$ million	**As at 31 December 2023**	As at 31 December 2022	Change
Cash and cash equivalents	**630.9**	483.3	30.5%
Total debt	**2,257.8**	2,205.9	2.4%
Net debt (total debt less cash and cash equivalents)	**1,626.9**	1,722.6	-5.6%
Total equity	**4,900.9**	4,398.0	11.4%
Market capitalization[5]	**4,529.5**	4,183.7	8.3%
Enterprise value[6]	**6,176.8**	5,925.1	4.2%

Key Financial Ratios

Adjusted return on equity[7]	**11.5%**	14.9%
Price earnings ratio	**7.7**	7.2
Enterprise value to adjusted EBITDA ratio	**5.1**	4.8
Net debt to adjusted EBITDA ratio	**1.3**	1.4
Net gearing ratio	**33.2%**	39.2%
Interest coverage[8]	**6.2**	13.4

Notes:

1 Reconciliation of profit for the year to adjusted profit attributable to shareholders of the Company (non-IFRS measure):

	Year ended 31 December	
	2023	2022
	HK$' million	*HK$' million*
Profit for the year	**586.8**	582.8
Adjustments:		
— Recognition of deferred tax assets of a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code, net of 10% dividend withholding tax	**(80.8)**	–
— Impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident, net of tax and insurance claims received	**(14.6)**	62.2
— Amortization and depreciation related to purchase price allocation, net of tax	**36.2**	18.0
— Provision for staff severance cost in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12, net of tax	**6.1**	–
— Gain on disposal of a Germany plant's land, property and machinery, net of tax	**–**	(13.1)
Adjusted profit for the year	**533.7**	649.9
Less: Profit attributable to non-controlling interest	**(1.7)**	(0.8)
Adjusted profit attributable to shareholders of the Company	**532.0**	649.1

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

3 Adjusted EBITDA represents EBITDA added back below significant one-off items for the years ended 31 December 2023 and 2022.

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

	Year ended 31 December	
	2023	2022
	HK$' million	*HK$' million*
EBITDA	**1,224.9**	1,165.5
Adjustments:		
— Impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident, net of insurance claims received	**(17.2)**	80.4
— Provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12	**7.2**	–
— Net gain on disposal of a Germany plant's land, property and machinery	**–**	(18.3)
Adjusted EBITDA	**1,214.9**	1,227.6

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

5 Outstanding number of shares multiplied by the closing share price (HK$2.40 per share as of 31 December 2023; HK$2.22 per share as of 31 December 2022).

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

7 Adjusted return on equity is calculated as adjusted profit attributable to shareholders of the Company divided by the average of total equity attributable to equity shareholders of the Company as of 31 December 2023 and 2022.

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

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2023 increased by 5.7% to HK$4,604.4 million as compared to last year of HK$4,354.7 million. In local currencies, the Group's revenue increased by 5.8% year-on-year since the negative impact brought by the 4.4% depreciation of RMB against HK$ was basically offset by 3.3% appreciation of Euro against HK$ during the year.

Gross profit and gross profit margin

The Group's gross profit decreased by HK$82.7 million, or 6.6% to HK$1,178.3 million for the year ended 31 December 2023 as compared to HK$1,261.0 million for the year ended 31 December 2022. The gross profit of investment casting business has decreased by HK$10.8 million, or 1.7% to HK$630.0 million, mainly due to lower gross profit contribution from diversified industrials end-market sales. The gross profit of precision machining and other business increased by HK$17.8 million to HK$375.8 million due to gross profit contribution from the hydraulic orbital motor and Foshan Ameriforge businesses acquired by the Group in 2022, partially offset by the decline of gross profit of Mexican and Turkish precision machining plants. The gross profit of sand casting business dropped by HK$44.5 million, or 20.0% to HK$177.7 million mainly as a result of the gross loss reported in Mexican sand casting plants due to the lower-than-expected ramp up of revenue and the appreciation of Mexican Peso. Surface treatment business reported a gross loss of HK$5.2 million as the Nantong plant was still under reconstruction in 2023 since the fire incident in June 2022.

The Group's gross profit margin was 25.6% for the year ended 31 December 2023, compared with 29.0% in last year. The decrease in gross profit margin was mainly attributed to the lower-than-expected revenue growth from the Mexican plants and unfavorable Mexican currency movement, the decline in profit in the surface treatment business and Turkish precision machining plants.

Other revenue

During the year ended 31 December 2023, the Group's other revenue increased by HK$6.3 million to HK$30.2 million (2022: HK$23.9 million). Other revenue mainly represented various discretionary incentives from the local PRC governments in relation to technology development and other incentive programs.

Other net income/(loss)

The Group recorded other net income of HK$20.0 million for the year ended 31 December 2023 (2022: other net loss of HK$24.6 million). Other net income mainly represented insurance compensation received from the Nantong fire incident of HK$17.2 million, and a net foreign exchange gain of HK$7.4 million arising mainly from depreciation of RMB against HK$. In 2022, other net loss mainly represented the impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident net of insurance claims received of HK$80.4 million, gain on disposal of a Germany plant's land, property and machinery of HK$18.3 million and the net foreign exchange gain of HK$43.4 million.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK$22.2 million, or 12.3%, to HK$158.5 million for the year ended 31 December 2023 from as compared to HK$180.7 million for the year ended 31 December 2022. The decrease in selling and distribution expenses was mainly due to lower ocean freight expenses. Selling and distribution expenses to revenue ratio was 3.4% for the year ended 31 December 2023 (2022: 4.1%).

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$7.0 million, or 2.1%, to HK$341.7 million for the year ended 31 December 2023, as compared to HK$334.7 million in last year. The increase in administrative and other operating expenses was mainly attributable to the consolidation of Foshan Ameriforge and hydraulic orbital motor business acquired by the Group in the second half of 2022. Administrative and other operating expenses to revenue ratio was 7.4% for the year ended 31 December 2023 (2022: 7.7%).

Net finance costs

The Group's net finance costs increased by HK$52.5 million to HK$108.4 million for the year ended 31 December 2023. The increase was mainly attributable to the increase in the average bank loan balances and a significant increase in interest rates for USD and HKD borrowings during the year ended 31 December 2023.

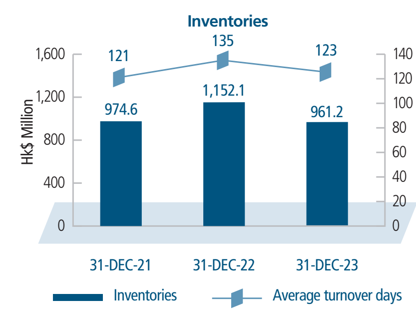
Income tax

The Group's income tax expenses decreased to HK$33.1 million for the year ended 31 December 2023 from HK$106.2 million for the year ended 31 December 2022. Income tax expenses were lower in 2023 mainly due to the one-off recognition of deferred tax assets of HK$80.8 million of a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure, net of 10% dividend withholding tax. Adjusted effective tax rate was 18.4% for the year ended 31 December 2023 (2022: 15.9%).

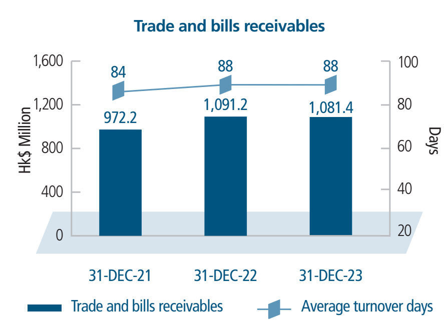
Working capital

	As at 31 December 2023 *HK$ million*	As at 31 December 2022 *HK$ million*
Inventories	**961.2**	1,152.1
Trade and bills receivables	**1,081.4**	1,091.2
Prepayments, deposits and other receivables	**302.9**	219.2
Trade payables	**(519.5)**	(457.8)
Other payables and accruals	**(308.9)**	(303.1)
Deferred income	**(135.1)**	(129.4)
Defined benefit retirement plans obligation	**(64.3)**	(67.3)
Total working capital	**1,317.7**	1,504.9
Total working capital / Revenue	**28.6%**	34.6%

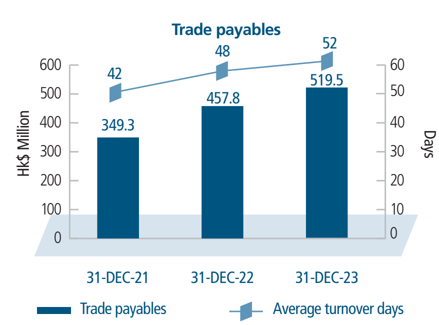
Inventories decreased by HK$190.9 million to HK$961.2 million as of 31 December 2023 (31 December 2022: HK$1,152.1 million) mainly due to tightened inventory management during the year ended 31 December 2023. Inventory turnover days decreased 12 days to 123 days as at 31 December 2023 from 135 days as at 31 December 2022, due to the Group's strategic decision to reduce inventory holding and higher revenue reported during the year ended 31 December 2023.



Trade and bills receivables decreased by HK$9.8 million to HK$1,081.4 million as of 31 December 2023 (31 December 2022: HK$1,091.2 million) mainly due to the Group's efforts to strengthen credit control of customers. Trade and bills receivables average turnover days remained at 88 days as at 31 December 2023 and 2022. The management of the Group is of the view that the Group's receivables are of high quality and the Group has not encountered any material default payment from customers. As at 31 December 2023, current receivables and overdue balances of less than 30 days has maintained at 94.4% (as at 31 December 2022: 90.4%) of the balance of the gross trade and bills receivables.



Trade payables increased by HK$61.7 million to HK$519.5 million as of 31 December 2023 (31 December 2022: HK$457.8 million). The increase was generally in line with the increase in the scale of business operation. Trade payable average turnover days as at 31 December 2023 increased to 52 days as compared to 48 days as at 31 December 2022.



EBITDA and Net profit

The Group's EBITDA was HK$1,224.9 million, or EBITDA margin of 26.6% for the year ended 31 December 2023, as compared to HK$1,165.5 million, or EBITDA margin of 26.8% in last year. Profit attributable to equity shareholders of the Company was HK$585.1 million, as compared to a profit of HK$582.0 million in last year. Net profit margin for the year ended 31 December 2023 was 12.7%, as compared to 13.4% in last year.

Excluding the impact of impairment loss provision (net of insurance claims received) of property, plant and equipment & inventories as a result of the Nantong fire incident, provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12 and gain on disposal of a Germany plant's land, property and machinery, the Group's adjusted EBITDA margin was 26.4%, which was 1.8% lower than 28.2% attained in last year, and the adjusted profit attributable to shareholders of the Company was HK$532.0 million for the year ended 31 December 2023, a decrease of 18.0% as compared to HK$649.1 million in last year. Adjusted net profit margin was 11.6% for the year ended 31 December 2023, as compared to 14.9% attained in last year.

Financial resources and liquidity

As at 31 December 2023, the total assets of the Group increased by 6.9% to HK$8,300.9 million and total equity increased by 11.4% to HK$4,900.9 million as compared to the amount as at 31 December 2022. The increase of total assets was mainly attributable to the addition in construction in progress and property, plant and equipment as the Group continued its investment in plants construction in Mexico and China during the year ended 31 December 2023. The Group's current ratio as at 31 December 2023 was 1.55, as compared to 1.63 as at 31 December 2022. The change in current ratio was primarily due to reduction in inventories and trade and bills receivables during the year ended 31 December 2023.

The Group continues to adopt a prudent financial management and treasury policy to the effect that the Group can maintain a healthy financial position through different business cycles and achieve a long-term sustainable growth. The Group's business requires a significant amount of working capital for the purchase of raw materials, capital expenditures and product development cost. The Group had operating cash inflow of HK$1,281.4 million for the year ended 31 December 2023. The funds generated from operations and cash on hand are adequate to fund the liquidity and capital requirements.

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

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

	Year ended 31 December	
	2023	2022
	HK$ million	*HK$ million*
Cash generated from/(used in):		
Operating activities	**1,281.4**	837.5
Investing activities	**(772.9)**	(1,213.5)
Financing activities	**(359.7)**	319.8
Net movement in cash	**148.8**	(56.2)

Cash generated from operating activities was HK$1,281.4 million for the year ended 31 December 2023, an increase of HK$443.9 million compared to HK$837.5 million in last year. The increase in cash flows from operating activities was mainly due to reduction in net working capital.

Cash used in investing activities was HK$772.9 million for the year ended 31 December 2023, a decrease of HK$440.6 million compared to HK$1,213.5 million in last year. The major items on investment activities were payment for capital expenditures which included purchases of machinery, equipment, tooling and infrastructure of HK$711.4 million.

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

	Year ended 31 December	
	2023	2022
	HK$ million	*HK$ million*
Payment of property, plant and equipment	**(711.4)**	(634.9)
Proceeds from disposal of property, plant and equipment	**6.6**	38.0
Payment for deferred expenses	**(76.0)**	(76.1)
Acquisition of businesses, net of cash acquired	**–**	(545.0)
Interest received	**7.9**	4.5
Net cash used in investing activities	**(772.9)**	(1,213.5)

Cash used in financing activities was HK$359.7 million for the year ended 31 December 2023, compared to cash generated from financing activities of HK$319.8 million in last year. The change was mainly due to the two acquisitions in 2022 which required more bank borrowing to fund the investing activities.

The table below sets forth the cash (used in)/generated from financing activities for the years indicated:

	Year ended 31 December	
	2023	2022
	HK$ million	*HK$ million*
Proceeds from bank loans	**1,295.0**	1,626.6
Repayment of bank loans	**(1,228.3)**	(950.7)
Interest paid	**(115.5)**	(59.6)
Payment of lease rentals	**(15.7)**	(9.4)
Proceeds from exercise of share options	**6.5**	3.0
Dividend paid	**(301.7)**	(286.3)
Dividend paid to non-controlling interest	**–**	(3.8)
Net cash (used in)/generated from financing activities	**(359.7)**	319.8

Indebtedness

As at 31 December 2023, the Group's total borrowings were HK$2,257.8 million, an increase of HK$51.9 million from HK$2,205.9 million as at 31 December 2022. Long-term borrowings accounted for 54.1% of total borrowings (as at 31 December 2022: 56.6%).

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

	As at 31 December 2023	As at 31 December 2022
	HK$ million	*HK$ million*
Current bank loans	**1,028.6**	942.4
Non-current bank loans	**1,211.9**	1,244.2
Current lease liabilities	**7.7**	14.4
Non-current lease liabilities	**9.6**	4.9
Total borrowings	**2,257.8**	2,205.9

As at 31 December 2023, the Group had total banking facilities available for draw-down of HK$1,785.6 million (as at 31 December 2022: HK$1,114.4 million).

The Group's net gearing ratio as at 31 December 2023 was 33.2% (as at 31 December 2022: 39.2%). This ratio is based on total borrowings less cash and cash equivalents divided by total equity. The gearing level has decreased mainly due to strong operating cash flow during the year ended 31 December 2023.

Capital Expenditures and Commitments

The management of the Group exercised careful control over capital expenditures. Capital expenditures of the Group amounted to HK$713.0 million for the year ended 31 December 2023 (2022: HK$599.7 million) which was primarily used in the production capacity expansion in the Group's PRC plants, as well as the infrastructure and machinery spending for the new plants in Mexico. Among which, the Group incurred HK$319.9 million (2022: HK$353.1 million) for the development of new plants in Mexico, including the purchases of machinery and construction of precision machining, sand casting, investment casting, aerospace and surface treatment plants. Capital commitments contracted for but not incurred by the Group as at 31 December 2023 amounted to HK$286.5 million (as at 31 December 2022: HK$232.9 million), which were mainly related to plants construction and acquisition of machinery.

Pledge of Assets

No property, plant and equipment of the Group were pledged as security for bank borrowings/ facilities as at 31 December 2023 (as at 31 December 2022: nil).

Contingent Liabilities

No material contingent liability existed as at 31 December 2023.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2023.

Significant Investments

As at 31 December 2023, the Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2023.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

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

The Group's revenue was mainly denominated in US Dollar, Euro and Renminbi while most of the cost of sales was denominated in Renminbi, Turkish Lira, Euro and Mexican Peso. As a result, exchange rate fluctuations between the above-mentioned foreign currencies against HK$ could affect the Group's performance and asset value in the reporting currency of HK$.

To reduce the exposure to foreign currency exchange risk, the Group's management monitors the foreign exchange rates from time to time and may adjust the currency mix of the loan portfolio in a proportion that resembled the respective underlying revenue currency proportion with a view to reducing the impact of exchange rate fluctuations. As at 31 December 2023, the borrowings of the Group were denominated in HK$, USD and RMB in which HK$830.7 million of borrowings were at fixed interest rates, while the cash and cash equivalents were mainly denominated in RMB, USD, Turkish Lia, Mexican Peso and HK$.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2023, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2023, the Group had 7,681 full-time employees of whom 5,858 were based in Mainland China and 1,823 were based in Turkey, Germany, Mexico, Hong Kong, United States and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$1,167.0 million for the year ended 31 December 2023 (2022: HK$1,115.3 million).

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

The Company adopted a Pre-IPO share option scheme for its employees.

Sustainability

In 2023, we deepened our commitment and actions on reducing greenhouse gas emission, energy consumption and water consumption in the Group's manufacturing plants. By optimizing production schedule, investment in reusable energy and improvement to production process, the Group achieved remarkable reduction in greenhouse gas emission intensity, energy consumption density and water consumption density in 2023 by 10.6%, 11.5% and 26.1% respectively. On an accumulated basis since 2020, the Group has accomplished all the 2030 greenhouse gas emission, energy consumption and water consumption intensity reduction goals and reduced these intensities by 41.1%, 32.4% and 57.9%, respectively. The Group's Sustainability Committee is currently contemplating new emission reduction targets. Meanwhile, we also made progress in the mapping of our Scope 3 emissions, including assessing the greenhouse gas emission from our raw materials purchase.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Note	**2023** **HK$'000**	2022 HK$'000
Revenue	*3*	**4,604,378**	4,354,711
Cost of sales		**(3,426,047)**	(3,093,757)
Gross profit		**1,178,331**	1,260,954
Other revenue	*4(a)*	**30,166**	23,895
Other net income/(loss)	*4(b)*	**19,972**	(24,579)
Selling and distribution expenses		**(158,456)**	(180,687)
Administrative and other operating expenses		**(341,764)**	(334,694)
Profit from operations		**728,249**	744,889
Net finance costs	*5(a)*	**(108,377)**	(55,884)
Profit before taxation	*5*	**619,872**	689,005
Income tax	*6*	**(33,109)**	(106,225)
Profit for the year		**586,763**	582,780
Attributable to:			
Equity shareholders of the Company		**585,093**	581,945
Non-controlling interest		**1,670**	835
Profit for the year		**586,763**	582,780
Earnings per share	*8*		
Basic *(HK cents)*		**31.0**	30.9
Diluted *(HK cents)*		**31.0**	30.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**586,763**	582,780
Other comprehensive income for the year (after tax adjustments)		
Items that will not be reclassified to profit or loss:		
Effect of remeasurement of defined benefit plan obligations (net of tax of HK$2,059,000 (2022: HK$1,141,000))	**(8,584)**	(10,050)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong Dollars ("**HK$**")	**218,491**	(270,819)
Other comprehensive income for the year	**209,907**	(280,869)
Total comprehensive income for the year	**796,670**	301,911
Attributable to:		
Equity shareholders of the Company	**795,077**	302,678
Non-controlling interest	**1,593**	(767)
Total comprehensive income for the year	**796,670**	301,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,535,542**	4,050,192
Prepayments for purchase of property, plant and equipment		**52,401**	46,836
Intangible assets		**214,812**	248,394
Goodwill	*9*	**227,522**	230,821
Deferred expenses		**161,071**	163,268
Other financial asset		**1,554**	1,576
Deferred tax assets		**121,256**	69,255
		5,314,158	4,810,342
Current assets			
Inventories		**961,195**	1,152,071
Trade and bills receivables	*10*	**1,081,373**	1,091,216
Prepayments, deposits and other receivables		**302,866**	219,175
Taxation recoverable		**10,429**	6,854
Cash and cash equivalents		**630,850**	483,286
		2,986,713	2,952,602
Current liabilities			
Bank loans		**1,028,594**	942,407
Lease liabilities		**7,659**	14,368
Trade payables	*11*	**519,542**	457,784
Other payables and accruals		**308,871**	303,089
Taxation payable		**59,601**	94,482
		1,924,267	1,812,130
Net current assets		**1,062,446**	1,140,472
Total assets less current liabilities		**6,376,604**	5,950,814

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans	**1,211,909**	1,244,237
Lease liabilities	**9,649**	4,895
Deferred income	**135,126**	129,430
Defined benefit plan obligations	**64,268**	67,329
Deferred tax liabilities	**54,696**	106,926
	1,475,648	1,552,817
NET ASSETS	**4,900,956**	4,397,997
CAPITAL AND RESERVES		
Share capital	**188,729**	188,456
Reserves	**4,691,894**	4,190,801
Total equity attributable to equity shareholders of the Company	**4,880,623**	4,379,257
Non-controlling interest	**20,333**	18,740
TOTAL EQUITY	**4,900,956**	4,397,997

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Operating activities		
Cash generated from operations	**1,454,536**	940,520
Tax paid	**(173,117)**	(103,025)
Net cash generated from operating activities	**1,281,419**	837,495
Investing activities		
Payment for the acquisition of property, plant and equipment	**(711,380)**	(634,864)
Proceeds from disposal of property, plant and equipment	**6,602**	38,039
Acquisition of businesses, net of cash acquired	**–**	(545,024)
Payment for deferred expenses	**(75,992)**	(76,094)
Interest received	**7,879**	4,413
Net cash used in investing activities	**(772,891)**	(1,213,530)
Financing activities		
Proceeds from bank loans	**1,295,027**	1,626,548
Repayment of bank loans	**(1,228,330)**	(950,661)
Interest paid	**(115,550)**	(59,618)
Capital element of lease rentals paid	**(14,986)**	(8,704)
Interest element of lease rentals paid	**(706)**	(679)
Proceeds from exercise of share options	**6,543**	3,034
Dividends paid to equity shareholders of the Company	**(301,685)**	(286,261)
Dividends paid to non-controlling interest	**–**	(3,825)
Net cash (used in)/generated from financing activities	**(359,687)**	319,834
Net increase/(decrease) in cash and cash equivalents	**148,841**	(56,201)
Cash and cash equivalents at 1 January	**483,286**	578,964
Effect of foreign exchange rate changes	**(1,277)**	(39,477)
Cash and cash equivalents at 31 December	**630,850**	483,286

NOTES

1 GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Impro Precision Industries Limited (the "**Company**") was incorporated in Cayman Islands on 8 January 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 June 2019.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development and production of a broad range of casting products and precision machining parts and provision of surface treatment services.

The consolidated financial statements are presented in HK$, unless otherwise stated and have approved for issue by the Board of Directors on 12 March 2024. They have been prepared in accordance with all applicable International Financial Reporting Standard ("**IFRS**") using the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the financial year ended 31 December 2023 that is included in this preliminary annual results announcement does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("**IASB**") has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *International Tax Reform — Pillar Two Model Rules*

In July 2023, the HKICPA published "Accounting implications of the abolition of the Mandatory Provident Fund (MPF) — Long Service Payment ("**LSP**") offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the abolition of the mechanism arrangement for employers using the accrued benefits derived from mandatory MPF contributions to offset severance payment and LSP.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Investment casting	**1,914,827**	1,899,549
Precision machining and others	**1,808,252**	1,486,023
Sand casting	**823,873**	815,638
Surface treatment	**57,426**	153,501
	4,604,378	4,354,711

The Group's revenue from contracts with customers were recognized at point in time. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 3(b)(iii).

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues.

(b) Segment reporting

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

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

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

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

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

(i) Segment results and assets

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

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

	Year ended 31 December 2022				
	Investment casting	Precision machining and others	Sand casting	Surface treatment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,899,549	1,486,023	815,638	153,501	4,354,711
Inter-segment revenue	–	–	–	28,592	28,592
Reportable segment revenue	1,899,549	1,486,023	815,638	182,093	4,383,303
Gross profit from external customers	640,752	358,008	222,198	39,996	1,260,954
Inter-segment gross profit	–	–	–	8,653	8,653
Reportable segment gross profit	640,752	358,008	222,198	48,649	1,269,607
Depreciation and amortization	155,912	169,914	61,926	32,863	420,615
Reportable segment profit	597,767	349,692	190,358	63,578	1,201,395
Reportable segment assets	2,475,570	3,055,511	1,371,609	313,060	7,215,750

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

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**4,631,996**	4,383,303
Elimination of inter-segment revenue	**(27,618)**	(28,592)
Consolidated revenue	**4,604,378**	4,354,711
Gross profit		
Reportable segment gross profit	**1,190,829**	1,269,607
Elimination of inter-segment gross profit	**(12,498)**	(8,653)
Consolidated gross profit	**1,178,331**	1,260,954
Profit		
Reportable segment profit	**1,217,158**	1,201,395
Elimination of inter-segment profit	**(12,498)**	(8,653)
Reportable segment profit derived from the Group's external customers	**1,204,660**	1,192,742
Other revenue	**30,166**	23,895
Other net income/(loss)	**19,972**	(24,579)
Unallocated head office and corporate expenses	**(29,935)**	(26,554)
Consolidated profit before interest, taxes, depreciation and amortization	**1,224,863**	1,165,504
Net finance costs	**(108,377)**	(55,884)
Depreciation and amortization	**(496,614)**	(420,615)
Consolidated profit before taxation	**619,872**	689,005

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**7,548,622**	7,215,750
Elimination of inter-segment receivables	**(9,188)**	(13,916)
	7,539,434	7,201,834
Other financial asset	**1,554**	1,576
Deferred tax assets	**121,256**	69,255
Cash and cash equivalents	**630,850**	483,286
Unallocated head office and corporate assets	**7,777**	6,993
Consolidated total assets	**8,300,871**	7,762,944

(iii) Geographical information

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

Revenue from external customers

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Americas		
— United States of America ("**United States**")	**2,019,018**	1,957,676
— Others	**214,232**	165,271
Europe	**1,502,702**	1,358,353
Asia		
— The People's Republic of China ("**PRC**")	**736,633**	753,327
— Others	**131,793**	120,084
	4,604,378	4,354,711

Specified non-current assets

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
United States	**8,144**	7,776
Europe	**485,794**	505,561
The PRC	**2,912,711**	2,846,543
Mexico	**1,786,253**	1,381,207
	5,192,902	4,741,087

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

(a) Other revenue

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Rental income	**833**	596
Government grants *(Note)*	**24,446**	19,369
Others	**4,887**	3,930
	30,166	23,895

Note:

During the year ended 31 December 2023, the Group received unconditional government subsidies of HK$14,535,000 (2022: HK$11,651,000) as encouragement of their contribution in technology development, environment protection and contribution in local economy.

During the year ended 31 December 2023, the Group received conditional government subsidies of HK$17,500,000 (2022: HK$8,322,000) as subsidies for acquisition of property, plant, equipment and leasehold land. During the year ended 31 December 2023, the Group recognized such subsidies of HK$9,911,000 (2022: HK$7,718,000) for acquisition of property, plant, equipment and leasehold land and investment incentive in the profit or loss when related conditions were satisfied.

(b) Other net income/(loss)

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Net exchange gain	**7,386**	43,435
Net (loss)/gain on disposal of property, plant and equipment	**(8,030)**	17,466
Severance costs	**(7,199)**	–
Loss on a fire incident	**–**	(93,697)
Insurance claims *(Note)*	**17,145**	13,340
Others	**10,670**	(5,123)
	19,972	(24,579)

Note:

Impro Aerotek (Nantong) Limited (formerly known as "Nantong Shenhai Science and Industrial Technology Co., Ltd.") received partial insurance claims of RMB15,449,000 (2022: RMB11,500,000) (equivalent to approximately HK$17,145,000 (2022: HK$13,340,000)) during the year ended 31 December 2023 in respect of loss on the fire accident in June 2022.

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Interest income	**(7,879)**	(4,413)
Interest expenses on bank loans	**115,550**	59,618
Interest expenses on lease liabilities	**706**	679
	116,256	60,297
Net finance costs	**108,377**	55,884

(b) Staff costs

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**1,076,049**	1,027,276
Contributions to defined contribution retirement plans	**82,160**	80,544
Expenses recognized in respect of defined benefit plan obligations	**7,403**	3,689
Equity settled share-based payment expenses	**1,431**	3,757
	1,167,043	1,115,266

(c) Other items

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Cost of inventories recognized as expenses*	**3,426,047**	3,093,757
Depreciation charges		
— owned property, plant and equipment	**373,817**	302,158
— right-of-use assets	**16,045**	25,905
Amortization of intangible assets	**30,898**	16,394
Amortization of deferred expenses	**75,854**	76,158
Research and development expenses	**149,286**	135,059
Provision of impairment loss on trade receivables	**4,071**	7,901
Provision for write-down of inventories	**24,816**	8,123
Auditors' remuneration		
— Audit services	**5,765**	6,334
— Non-audit services	**1,556**	1,567

* Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, research and development expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2022: 16.5%).

Income tax for the PRC operations is charged at the statutory rate of 25% of the assessable profits under tax rules and regulations in the PRC. Certain PRC subsidiaries are subject to a preferential income tax of 15% under the relevant tax rules and regulations.

Taxation in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

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

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Current tax		
Chinese Mainland Corporate Income Tax		
Provision for the year	**57,280**	40,122
Bonus deduction of research and development	**(27,254)**	(20,322)
Over provision in respect of prior years	**(1,309)**	(679)
	28,717	19,121
Hong Kong Profits Tax		
Provision for the year	**34,583**	61,817
Under provision in respect of prior years	**188**	650
	34,771	62,467
Tax jurisdictions outside Chinese Mainland and Hong Kong		
Provision for the year	**54,953**	52,511
	118,441	134,099
Deferred tax		
Origination and reversal of temporary differences *(Note)*	**(85,332)**	(27,874)
Total income tax expense	**33,109**	106,225

Note:

The amount in 2023 mainly includes a deferred tax credit effect of HK$89,813,000 of a Turkish subsidiary related to inflation accounting. In December 2023, the Turkey's Ministry of Finance issued the Article 555 to Turkish Tax Procedure Code, pursuant to which the Turkish statutory financial statements for the year ended 31 December 2023 would be subject to inflation adjustment using inflation accounting in consideration of hyperinflationary economy in Turkey. By applying the principles of inflation accounting for the Group's subsidiary in Turkey, the tax base of certain non-monetary items previously accounted at historical cost in tax filing currency — Turkish Lira should be adjusted by multiplying inflationary adjustment coefficients, while the accounting base of these non-monetary items remained unaffected in its functional currency — Euro which resulted in credit effect of income tax of HK$89,813,000 during the year ended 31 December 2023.

7 DIVIDENDS

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

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
First interim dividend declared and paid of HK$0.08 per share (2022: HK$0.08 per share)	**150,920**	150,664
Second interim dividend declared after the end of the reporting period of HK$0.08 per share (2022: HK$0.08 per share)	**150,983**	150,765
	301,903	301,429

The second interim dividend declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.08 per share (2022: HK$0.072 per share)	**150,765**	135,597

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$585,093,000 (2022: HK$581,945,000) and the weighted average of 1,885,638,877 ordinary shares (2022: 1,883,383,993 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 1 January	**1,884,559,500**	1,883,295,000
Effect of exercise of share options	**1,079,377**	88,993
Weighted average number of ordinary shares at 31 December	**1,885,638,877**	1,883,383,993

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$585,093,000 (2022: profit of HK$581,945,000) and the weighted average number of ordinary shares of 1,886,951,273 shares (2022: 1,883,383,993 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
Weighted average number of ordinary shares at 31 December	**1,885,638,877**	1,883,383,993
Effect of deemed issue of shares under the Company's share option scheme	**1,312,396**	–
Weighted average number of ordinary shares (diluted) at 31 December	**1,886,951,273**	1,883,383,993

For the years ended 31 December 2023 and 2022, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares.

During the year ended 31 December 2022, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share was the same as basic earnings per share of the years ended 31 December 2022.

9 GOODWILL

	HK$'000
Cost:	
At 1 January 2022	–
Acquisition of business	225,506
Exchange adjustment	5,315
At 31 December 2022 and 1 January 2023	230,821
Exchange adjustment	(3,299)
At 31 December 2023	227,522
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022,1 January 2023 and 31 December 2023	–
Carrying amount:	
At 31 December 2023	227,522
At 31 December 2022	230,821

Impairment tests for cash-generating unit containing goodwill

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

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

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Hydraulic orbital motor business	**227,522**	230,821

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

	2023	2022
	HK$'000	*HK$'000*
Annual revenue growth rate during the forecast period	**16.8%**	6.3%
Operating profit margin	**14.8%**	13.8%
Growth rate beyond the forecast period	**3.0%**	3.0%
Pre-tax discount rate	**14.1%**	14.1%

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports and generally in line with 2022.

As at 31 December 2023, the recoverable amount of the CGU was HK$656,925,000 (2022: HK$520,902,072), which was higher than its carrying amount by HK$23,191,000 (2022: HK$31,601,000).

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

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

	2023	2022
Hydraulic orbital motor business		
Increase in discount rate	**+0.6%**	+1.1%
Decrease in annual revenue growth rate during the forecast period	**-1.0%**	-1.3%
Decrease in operating profit margin rate	**-0.7%**	-1.0%

10 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,026,376**	1,050,511
Bills receivable	**75,823**	57,560
	1,102,199	1,108,071
Less: loss allowance	**(20,826)**	(16,855)
	1,081,373	1,091,216

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

Aging analysis

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

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**572,492**	488,554
1 to 3 months	**390,336**	420,562
Over 3 months but within 12 months	**118,545**	182,100
	1,081,373	1,091,216

Trade and bills receivables are due within 15–120 days from the date of billing.

11 TRADE PAYABLES

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Trade payables	**519,542**	457,784

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

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

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**311,748**	237,929
1 to 3 months	**166,343**	197,456
Over 3 months	**41,451**	22,399
	519,542	457,784

CORPORATE GOVERNANCE FRAMEWORK

The Company believes that good corporate governance can enhance its overall effectiveness, and thus create additional value for its shareholders. The Company is committed to maintaining high standards and has applied the principles in the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 of the Rules Governing to the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company's corporate governance practices are based on these principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices with effect from the listing date.

In the opinion of the Directors, the Company has complied with all the code provisions of the CG Code and to a large extent the recommended best practices in the CG Code during the year ended 31 December 2023, except for the deviation from code provision C.2.1 of the CG Code as described below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix C3 of the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the year ended 31 December 2023.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND

Second interim dividend

25 March 2024	Ex-dividend date
26 March 2024, 4:30 p.m.	Latest time to lodge share transfer
27 March–2 April 2024 (both days inclusive)	Closure of Register of Members
2 April 2024	Record date
11 April 2024	Payment date

In order to qualify for the above-mentioned second interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 March 2024.

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

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Monday, 20 May 2024. Notice of the AGM will be sent to its shareholders in due course. For the purpose of determining shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 13 May 2024.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2023.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") since 15 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. Members of the Audit Committee are three independent non-executive Directors, namely, Mr. YU Kwok Kuen Harry, Dr. YEN Gordon and Mr. LEE Siu Ming. Mr. YU Kwok Kuen Harry currently serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are making recommendation to the Board on the appointment and removal of external auditors, reviewing draft financial statements of the Group, attending any material advices or matters in financial reporting or otherwise arising from the audit process and overseeing the risk management policies and internal control procedures of the Group.

The Company's consolidated financial statements for the year ended 31 December 2023 have been reviewed by the Audit Committee. The Audit Committee is of the view that the consolidated financial statements of the Company for the year ended 31 December 2023 comply with the applicable accounting standards and the disclosure requirements under the applicable laws and regulations, including the Listing Rules, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.improprecision.com) and the Stock Exchange (www.hkexnews.hk). The 2023 annual report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to the shareholders in due course.

By order of the Board
IMPRO PRECISION INDUSTRIES LIMITED
LU Ruibo
Chairman and Chief Executive Officer

Hong Kong, 12 March 2024

As of the date of this announcement, the Board comprises five executive Directors, namely Mr. LU Ruibo, Ms. WANG Hui, Ina, Mr. YU Yuepeng, Ms. ZHU Liwei and Mr. WANG Dong and three independent non-executive Directors, namely Mr. YU Kwok Kuen Harry, Dr. YEN Gordon and Mr. LEE Siu Ming.