

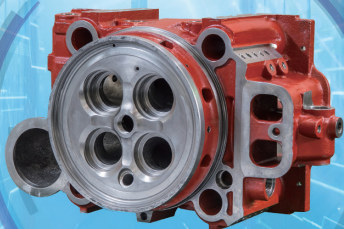
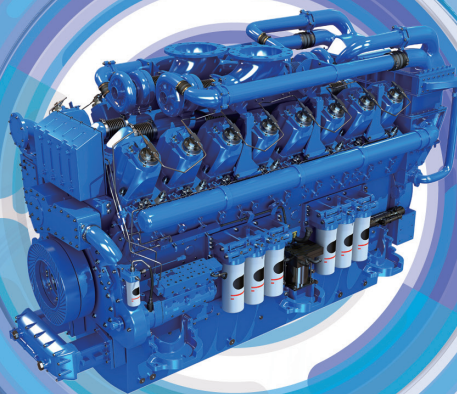
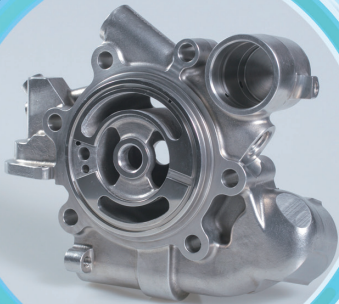
# *Impro*

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1286

## INTERIM REPORT 2024

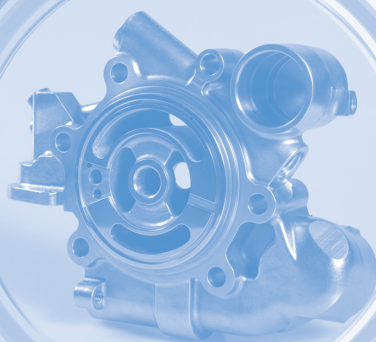
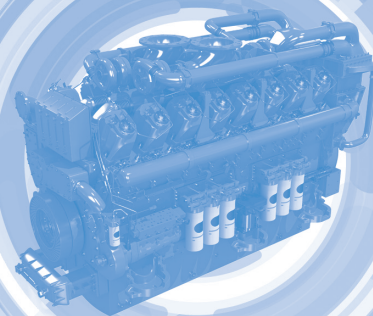


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This interim report is printed on environmentally friendly paper.





# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Kwok Kuen Harry  
Dr. YEN Gordon  
Mr. LEE Siu Ming

## AUDIT COMMITTEE

Mr. YU Kwok Kuen Harry *(Chairman)*  
Dr. YEN Gordon  
Mr. LEE Siu Ming

## REMUNERATION COMMITTEE

Mr. LEE Siu Ming *(Chairman)*  
Mr. YU Kwok Kuen Harry  
Mr. LU Ruibo

## NOMINATION COMMITTEE

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

## SUSTAINABILITY COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Mr. LU Ruibo  
Mr. IP Wui Wing Dennis

## COMPANY SECRETARY

Mr. IP Wui Wing Dennis, *CPA*

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL PLACE OF BUSINESS IN CHINA

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

## LEGAL ADVISER AS TO HONG KONG LAW

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



## AUDITOR

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

## PRINCIPAL BANKERS

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

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

[www.improrecision.com](http://www.improrecision.com)

## INVESTOR RELATIONS

[ir@impro.com.hk](mailto:ir@impro.com.hk)

## SHARE INFORMATION

Stock Code: 1286  
Listing date: 28 June 2019  
Board lot: 1,000 ordinary shares

## KEY DIVIDEND INFORMATION

2024 interim dividend of 8.0 HK cents per share

Ex-dividend date:  
Wednesday, 21 August 2024

Closure of register of members:  
Friday, 23 August 2024 to Tuesday, 27 August 2024  
(both days inclusive)

Record date:  
Tuesday, 27 August 2024

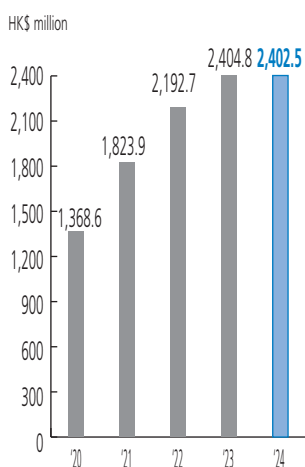
Interim dividend payable date:  
On or before Friday, 6 September 2024

# FINANCIAL HIGHLIGHTS


HK\$ million	Six months ended 30 June		
	2024	2023	Change
Revenue	<b>2,402.5</b>	2,404.8	-0.1%
Gross profit	<b>634.5</b>	624.1	1.7%
Gross profit margin	<b>26.4%</b>	26.0%	0.4%
Profit attributable to equity shareholders of the Company	<b>304.5</b>	303.2	0.4%
Adjusted profit attributable to shareholders <sup>1</sup>	<b>322.3</b>	311.2	3.6%
Basic earnings per share (HK cents)	<b>16.13</b>	16.09	0.2%
Adjusted basic earnings per share (HK cents)	<b>17.10</b>	16.51	3.6%
EBITDA <sup>2</sup>	<b>694.3</b>	671.0	3.5%
EBITDA margin	<b>28.9%</b>	27.9%	1.0%
Adjusted EBITDA <sup>3</sup>	<b>694.3</b>	658.6	5.4%
Adjusted EBITDA margin	<b>28.9%</b>	27.4%	1.5%
Last twelve months ("L12M") adjusted EBITDA <sup>3</sup>	<b>1,250.6</b>	1,247.7	0.2%
Free cash inflow from operations <sup>4</sup>	<b>156.6</b>	274.9	-43.0%
Dividend per share (HK cents)	<b>8.0</b>	8.0	0.0%

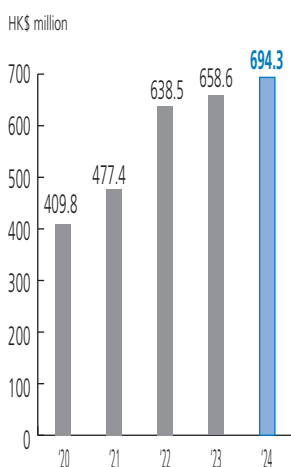
Revenue

**0.1%**   
**HK\$2,402.5 million**



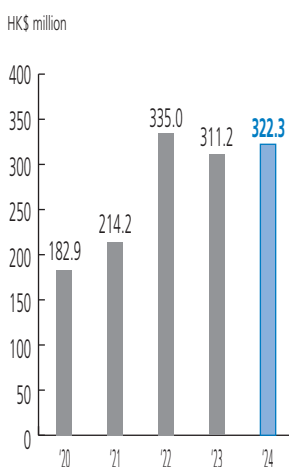
Adjusted EBITDA

**5.4%**   
**HK\$694.3 million**



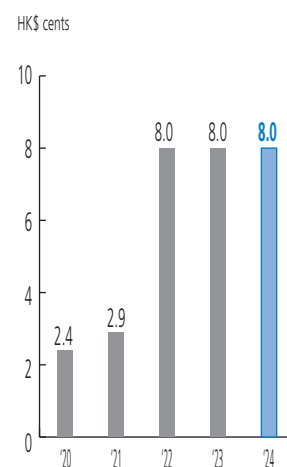
Adjusted Profit Attributable to Shareholders

**3.6%**   
**HK\$322.3 million**



Interim Dividend per Share

**HK\$8.0 cents**



For the six months ended 30 June



HK\$ million	As at 30 June 2024	As at 31 December 2023	Change
Cash and cash equivalents	447.4	630.9	-29.1%
Total debt	2,124.8	2,257.8	-5.9%
Net debt (total debt less cash and cash equivalents)	1,677.4	1,626.9	3.1%
Total equity	4,841.5	4,900.9	-1.2%
Market capitalization <sup>5</sup>	3,925.6	4,529.5	-13.3%
Enterprise value <sup>6</sup>	5,623.9	6,176.8	-9.0%
	As at 30 June 2024	As at 31 December 2023	
<b>Key Financial Ratios</b>			
Adjusted return on equity <sup>7</sup>	11.4%	11.5%	
Price earnings ratio	6.7	7.7	
Enterprise value to L12M adjusted EBITDA	4.5	5.1	
Net debt to L12M adjusted EBITDA	1.3	1.3	
Net gearing ratio	34.6%	33.2%	
Adjusted interest coverage ratio <sup>8</sup>	7.3	6.2	

# FINANCIAL HIGHLIGHTS

Notes:

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

	Six months ended 30 June	
	2024 HK\$ million	2023 HK\$ million
Profit for the period	305.5	303.5
Adjustments:		
— Insurance claims received for Nantong fire incident, net of tax	—	(10.5)
— Amortization and depreciation related to past purchase price allocation, net of tax	17.8	18.5
Adjusted profit for the period	323.3	311.5
Less: profit attributable to non-controlling interest	(1.0)	(0.3)
Adjusted profit attributable to shareholders	322.3	311.2

2 Earnings before interest, tax, depreciation and amortization.

3 Adjusted EBITDA represents EBITDA adjusted for below significant one-off items for the six months ended 30 June 2024 and 2023. Last twelve months (“L12M”) adjusted EBITDA was derived from the last 12 months’ adjusted EBITDA.

Reconciliation between EBITDA to adjusted EBITDA and L12M adjusted EBITDA (non-IFRS measures):

	Six months ended 30 June		L12M up to	
	2024 HK\$ million	2023 HK\$ million	30 June 2024 HK\$ million	Year ended 31 December 2023 HK\$ million
EBITDA	694.3	671.0	1,248.2	1,224.9
Adjustments:				
— Insurance claims received for Nantong fire incident	—	(12.4)	(4.8)	(17.2)
— Provision for staff severance in relation to the relocation of the Foshan Ameriforge Plant to Nantong and its merger with Nantong Plant 12	—	—	7.2	7.2
Adjusted EBITDA	694.3	658.6	1,250.6	1,214.9

4 Net cash generated from operating activities less net cash used in investing activities.

5 Total number of issued shares multiplied by the closing share price (HK\$2.08 per share as of 30 June 2024; HK\$2.40 per share as of 31 December 2023).

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

7 Adjusted return on equity is calculated as L12M adjusted profit attributable to shareholders divided by the average of total equity attributable to equity shareholders of the Company.

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



# CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby report to the shareholders the interim results of Impro Precision Industries Limited (the "Company", together with its subsidiaries, the "Group" or "Impro") for the six months ended 30 June 2024 (the "Period").

During the six months ended 30 June 2024, the revenue of the Group amounted to HK\$2,402.5 million, which was basically the same as that of the same period last year. Profit attributable to the shareholders of the Company (the "Shareholders") amounted to HK\$304.5 million, representing an increase of 0.4% as compared to the same period last year. If excluding significant one-off gain in the previous period and the amortization and depreciation charges in relation to the past purchase price allocation, the adjusted profit attributable to the Shareholders amounted to HK\$322.3 million, representing a year-on-year increase of 3.6%. The basic earnings per share amounted to 16.13 HK cents (six months ended 30 June 2023: 16.09 HK cents). Having taken into account the sound cash flow position and business prospects of the Group, the Board resolved to declare an interim dividend of 8.0 HK cents per share for the six months ended 30 June 2024 (six months ended 30 June 2023: 8.0 HK cents).

In the first half of 2024, the operating environment of the global market remained very challenging. The steady upward trend at the beginning of the year could not be extended, and starting from March, demand in some end markets showed weakness, coupled with the impact of macro factors such as the increasing geopolitical risks and the delay in the interest rate reduction schedule by the US Federal Reserve Board, the revenue growth of the Group was under pressure. In this complex and volatile environment, the Group's strategies of "Global Footprint" and "Diversified End-markets" showed resilience, enabling the Group to effectively withstand the downturn in some of the end-markets. During the Period, demand for artificial intelligence-related big data centres continued to rise in the United States and Europe, which led to a significant increase in the demand for high horsepower engines as a key component of distributed power generators, and this, together with the increase in the Group's market share, resulted in a significant increase of 42.9% in the revenue of the high horsepower engine end-market. Meanwhile, revenue in the aerospace and energy end-market of the Group's Aerospace Division remained strong with a year-on-year increase of 35.3% and 27.3%, coupled with a moderate revenue growth of 5.1% in passenger car end-market, which was sufficient to offset the challenges of the downturn in some of the end-markets, resulting in the Group's total revenue in the first half of this year staying basically the same as the corresponding period of last year.

In addition, on the profit side, the Group's new plants in Mexico still recorded a relatively large loss in the first half of this year, but after deducting depreciation expenses, the EBITDA loss has been reduced both year-on-year and sequentially; whereas, the high inflation in Turkey has caused the Group's local operations to experience continued increases in local costs such as labour costs and energy costs, which resulted in a considerable drop in the profit of the Group's Turkey plants for the Period. While profits of Mexico and Turkey plants declined and interest costs increased, most of China plants' financial performance was good, which resulted in an increase in the Group's adjusted profit attributable to the Shareholders by 3.6% in the first half of 2024.

## Revenue by end-market

The Group sells its products to worldwide customers in diversified end-markets. During the Period, the aerospace, energy and medical end-markets maintained strong growth, with revenue rising to HK\$398.0 million, representing a year-on-year increase of 24.5%. The increase was mainly attributable to the 35.3% revenue growth in the aerospace end-market as a result of the continued recovery of the global aerospace market and the increase in market share as well as the development and mass production of new products. Revenue in the energy end-market recorded an increase of 27.3%, which was mainly attributable to the continued increase in market share, while revenue in the medical end-market declined as a result of the inventory adjustments made by certain major customers.



# CHAIRMAN'S STATEMENT

In addition, both diversified industrials and automotive end-markets recorded slight revenue declines in the first half of the year, with segment revenue for the Period falling by 3.9% to HK\$1,138.2 million and 3.8% to HK\$866.3 million, respectively, compared with the same period last year. For the diversified industrials end-markets, revenue in the high horsepower engine end-market increased significantly by 42.9% in the first half of the year. However, revenue from construction equipment, agricultural equipment, recreational boat and vehicle and others end-markets decreased by 16.9%, 14.0%, 25.9% and 12.4% to HK\$334.1 million, HK\$177.2 million, HK\$91.8 million and HK\$175.3 million respectively compared to the same period last year. The decrease in sales revenue from these end markets mainly reflected that these industries were entering a downward cycle, coupled with the high interest rates in Europe and the United States, which suppressed the demand for new products from end customers, resulting in a decrease in the Group's revenue.

The overall demand from the European and American automotive markets grew favourably in the first half of the year, resulting in revenue growth in the passenger car end-market, with sales revenue rising by 5.1% compared to the same period last year. However, the commercial vehicle end-market suffered from weak demand in the United States and Europe, resulting in a 11.7% decline in commercial vehicle sales revenue for the Period.

By End-market	Six months ended 30 June					
	2024		2023		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Proportion
<b>Diversified Industrials</b>	<b>1,138.2</b>	<b>47.4%</b>	<b>1,184.1</b>	<b>49.3%</b>	<b>(45.9)</b>	<b>-3.9%</b>
– High Horsepower Engine	359.8	15.0%	251.8	10.5%	108.0	42.9%
– Construction Equipment	334.1	13.9%	402.2	16.7%	(68.1)	-16.9%
– Agricultural Equipment	177.2	7.4%	206.0	8.6%	(28.8)	-14.0%
– Recreational Boat and Vehicle	91.8	3.8%	123.9	5.2%	(32.1)	-25.9%
– Others	175.3	7.3%	200.2	8.3%	(24.9)	-12.4%
<b>Automotive</b>	<b>866.3</b>	<b>36.0%</b>	<b>900.9</b>	<b>37.5%</b>	<b>(34.6)</b>	<b>-3.8%</b>
– Passenger Car	444.5	18.5%	423.0	17.6%	21.5	5.1%
– Commercial Vehicle	421.8	17.5%	477.9	19.9%	(56.1)	-11.7%
<b>Aerospace, Energy &amp; Medical</b>	<b>398.0</b>	<b>16.6%</b>	<b>319.8</b>	<b>13.2%</b>	<b>78.2</b>	<b>24.5%</b>
– Aerospace	255.5	10.6%	188.9	7.8%	66.6	35.3%
– Energy	102.2	4.3%	80.3	3.3%	21.9	27.3%
– Medical	40.3	1.7%	50.6	2.1%	(10.3)	-20.4%
<b>Total</b>	<b>2,402.5</b>	<b>100.0%</b>	<b>2,404.8</b>	<b>100.0%</b>	<b>(2.3)</b>	<b>-0.1%</b>

In local currencies, the revenue of the Group for the Period increased by 0.6% as compared to the six months ended 30 June 2023. Such growth rate was higher than the reported revenue growth rate due to the depreciation of Renminbi, Euro and US Dollar against Hong Kong Dollar by 2.3%, 0.4% and 0.3% respectively for the six months ended 30 June 2024 as compared to the same period last year.



## Revenue by business segment

In terms of business segments, benefiting from the significant increase in revenue in the high horsepower engine end-market within the Group during the Period, the related production process in the sand casting increased by 18.0%. Rehabilitation of the Nantong plant was completed in January this year, and the Group's revenue from the surface treatment business in the first half of this year recorded an increase of 5.8% as compared to the same period last year. Although the aerospace and energy end-markets maintained strong growth, it was not sufficient to compensate the decline in demand from customers in the diversified industrials and automotive end-markets, and thus revenue of investment casting and precision machining and others declined by 3.8% and 4.6% year-on-year in the first half of this year respectively.

By Business Segment	Six months ended 30 June					
	2024		2023		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Proportion
Investment casting	957.0	39.8%	994.9	41.4%	(37.9)	-3.8%
Precision machining and others	904.8	37.7%	948.7	39.5%	(43.9)	-4.6%
Sand casting	511.7	21.3%	433.8	18.0%	77.9	18.0%
Surface treatment	29.0	1.2%	27.4	1.1%	1.6	5.8%
<b>Total</b>	<b>2,402.5</b>	<b>100.0%</b>	<b>2,404.8</b>	<b>100.0%</b>	<b>(2.3)</b>	<b>-0.1%</b>

## Revenue by geographical market

In the first half of this year, the Group's business in the Americas recorded revenue growth of 5.6%. Revenue from its European and Asian operations declined by 6.4% and 3.3% year-on-year, respectively, as a result of the decline in demand in some of its end-markets and weak demand in the PRC market.

By Geographical Market	Six months ended 30 June					
	2024		2023		Increase/Decrease	
	HK\$ million	Proportion	HK\$ million	Proportion	HK\$ million	Proportion
<b>Americas</b>	<b>1,204.0</b>	<b>50.1%</b>	<b>1,140.5</b>	<b>47.4%</b>	<b>63.5</b>	<b>5.6%</b>
– United States	1,090.1	45.4%	1,023.3	42.5%	66.8	6.5%
– Others	113.9	4.7%	117.2	4.9%	(3.3)	-2.8%
<b>Europe</b>	<b>739.9</b>	<b>30.8%</b>	<b>790.1</b>	<b>32.9%</b>	<b>(50.2)</b>	<b>-6.4%</b>
<b>Asia</b>	<b>458.6</b>	<b>19.1%</b>	<b>474.2</b>	<b>19.7%</b>	<b>(15.6)</b>	<b>-3.3%</b>
– PRC	393.0	16.4%	405.6	16.9%	(12.6)	-3.1%
– Others	65.6	2.7%	68.6	2.8%	(3.0)	-4.4%
<b>Total</b>	<b>2,402.5</b>	<b>100.0%</b>	<b>2,404.8</b>	<b>100.0%</b>	<b>(2.3)</b>	<b>-0.1%</b>



# CHAIRMAN'S STATEMENT

## CORPORATE DEVELOPMENT AND STRATEGY

In 2024, the global economy was still in a period of recovery and the macro geopolitical situation remained tense. Impro's effective strategies of "Global Footprint" and "Diversified End-markets" continued to help the Group effectively cope with the cyclical fluctuations of each end market and hedge the related risks, which enabled the Group to maintain a resilient performance during the Period.

During the Period, all end-markets maintained orderly development. The aerospace and energy end-markets continued to perform well. Although the demand for Boeing series components has been declining significantly since the middle to late first quarter of this year, the Group achieved significant revenue growth by capitalising on the effective deployment in the aerospace sector. In addition, in the energy end-market, despite the pressure in the oil and gas market, the Group achieved steady revenue growth by capitalising on the uptrend in the industrial gas turbine market. Meanwhile, the Group also continued to develop the medical end-market. As some of our major customers are in the de-stocking stage and tend to maintain a prudent ordering strategy, the newly developed products are expected to enter the mass production stage in the second half of 2024 or 2025, which is expected to develop into one of the growth engines of the Group in the future.

In the diversified industrials end-market, the performance of the end-market for high horsepower engine was the most prominent. Driven by the widespread adoption and rapid development of artificial intelligence-related big data centres, demand for high horsepower engines, a key component of distributed power generators, has risen significantly, leading to a significant increase in customers and market share in the United States and Europe, and strong revenue growth during the Period, which is expected to continue in the second half of 2024. In the construction equipment, agricultural equipment, recreational boat and vehicle end-markets, customer demand weakened significantly from the second quarter of 2024, which is expected to offset the impact of weakening market demand as more new products come on stream in the future.

In the automotive end-market, one of the Group's three major end-markets, Impro has been actively and flexibly responding to the accelerating market trend of global automotive market electrification. In the passenger car end-market, Impro has continued to achieve steady growth in revenue by focusing on the needs of its customers, and by continuing to capture more market and customer wallet share with its high-quality and cost-effective products.

With a total of 21 plants in China, Germany, Turkey, Czech Republic and Mexico, the Group's strategy of "Region for Region Manufacturing" and "Dual Source Production" aims to help customers minimise potential supply chain and tariff risks in a complex and volatile geopolitical and market environment. Phase I of the SLP campus in Mexico, which serves the North American market, has been completed to strengthen the Group's production advantages. Phase II construction will commence in the second half of 2024 and will cover different areas of demand, further expanding the Group's production capacity and service capability and consolidating its globalisation strategy.

In addition, the Nantong Plant was recommissioned in January 2024 and the newly established Nantong Plant No. 12 will be integrated with Foshan Ameriforge by the end of this year, focusing on the development of aerospace and energy components business. The Group is in the process of optimising and upgrading its equipment to enhance its precision and reliability. Through the integration, the Group's resource allocation will be further optimised and more synergies will be stimulated.



## OUTLOOK

Looking ahead to the second half of 2024, the global economy still faces the risk of slowing down, the Russia-Ukraine war and the Israeli-Palestinian conflict continue to stir up the global trade situation, and the US election, the China-Europe trade game and the undecided timetable for interest rate cuts by the US Federal Reserve have also posed hidden concerns for the market. In view of these challenges, the Group has adjusted its year-on-year revenue growth forecast for the full year of 2024 to approximately 3% to 8%, taking into account the Group's undelivered orders on hand and the progress of new project development in the future. The Group remains cautiously optimistic about the business outlook and will continue to strengthen its global business development by adhering to the three strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engine", which have been implemented for years, with a view to seizing the opportunities and achieving a breakthrough in the market when the market recovers.

The Group expects that the development of artificial intelligence will continue to accelerate, and the demand for big data centres in the United States and Europe driven by it will be further transferred to the upstream market, stimulating a strong demand for high horsepower engines. The Group has successfully developed more related products and increased its production capacity in the first half of the year, and expects that the results of the relevant end-market will remain robust. The Group's global footprint can also effectively avoid geopolitical and tariff risks and reduce the impact on customers in Europe and the United States. In addition, the Group will implement the plan to merge and integrate Nantong Plant No. 12 in with Foshan Ameriforge by the end of 2024, by which time the relevant production facilities will be upgraded and renovated, thereby enhancing production capacity and operational efficiency, and perfecting the Group's production layout in the aerospace and energy end-market business. Meanwhile, the Group's medical end-market business, which the Group has been developing vigorously, is also progressing steadily. The newly developed products are expected to be in mass production in the second half of this year or next year, and the Group expects them to make significant contributions to the Group's profit growth.

On the production side, the first phase of the infrastructure of the SLP campus in Mexico has been successfully completed. In response to strong requests from customers and in view of the uncertainty of the US-China relationship, the Group will commence the construction of the second phase of the campus in the second half of this year, which will cover the processes not available in the first phase, and will include a large-scale sand casting plant that will further enhance the Group's production capacity in the field of high horsepower engine component. The Group will further expand the advantages of the SLP campus in Mexico in terms of location and productivity, and at the same time endeavour to achieve EBITDA breakeven by the end of this year by upgrading the skills of the local workforce. On the other hand, the Group has negotiated price adjustments with its customers in response to the severe inflation in its Turkish plants and internally optimised its production processes with an effort to partially hedge against the soaring energy and labour costs.

Going forward, the Group will continue to leverage its manufacturing and marketing networks in Asia, Europe and the Americas to strengthen the foundation of its core business, strategically capture market opportunities and address challenges. At the same time, the Group will also look for merger and acquisition targets that can create an integration effect with its own business, and actively expand its business so as to consolidate the Group's leading position, while endeavouring to provide customers with more quality and diversified products and services, and to bring desirable returns to our 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, 8 August 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE

HK\$ million	Six months ended 30 June		Change
	2024	2023	
<b>Revenue</b>	<b>2,402.5</b>	2,404.8	-0.1%
<b>Gross profit</b>	<b>634.5</b>	624.1	1.7%
<i>Gross profit margin</i>	<b>26.4%</b>	26.0%	0.4%
Other revenue	<b>13.5</b>	14.8	-8.8%
Other net income	<b>44.8</b>	25.7	74.3%
Selling and distribution expenses	<b>(87.0)</b>	(83.9)	3.7%
<i>As a % of revenue</i>	<b>3.6%</b>	3.5%	0.1%
Administrative and other operating expenses	<b>(173.6)</b>	(156.1)	11.2%
<i>As a % of revenue</i>	<b>7.2%</b>	6.5%	0.7%
<b>Profit from operation</b>	<b>432.2</b>	424.6	1.8%
<i>Operating margin</i>	<b>18.0%</b>	17.7%	0.3%
Net finance expenses	<b>(55.0)</b>	(50.4)	9.1%
<b>Profit before taxation</b>	<b>377.2</b>	374.2	0.8%
Income tax	<b>(71.7)</b>	(70.7)	1.4%
<i>Effective tax rate</i>	<b>19.0%</b>	18.9%	0.1%
<b>Profit for the period</b>	<b>305.5</b>	303.5	0.7%
<i>Net margin</i>	<b>12.7%</b>	12.6%	0.1%
Profit attributable to:			
Equity shareholders of the Company	<b>304.5</b>	303.2	0.4%
Non-controlling interest	<b>1.0</b>	0.3	233.3%
	<b>305.5</b>	303.5	0.7%



## FINANCIAL REVIEW

### Revenue

Revenue for the six months ended 30 June 2024 decreased by 0.1% to HK\$2,402.5 million compared to the last corresponding period.

### Gross profit and gross profit margin

The Group's gross profit increased by HK\$10.4 million, or 1.7% to HK\$634.5 million for the six months ended 30 June 2024 as compared to HK\$624.1 million for the six months ended 30 June 2023. The gross profit of investment casting has experienced an increase of HK\$12.0 million, or 3.8% to HK\$327.6 million during the Period, mainly due to strong and higher margin aerospace and energy end-markets revenue which was partially offset by the gross profit decline from diversified industrials and automotive end-markets. The gross profit of the precision machining and other business decreased by HK\$48.6 million, or 22.4% to HK\$168.6 million due to decline in gross profit of China, Turkey and Mexico precision machining and others plants. The gross profit of sand casting plants increased by HK\$48.1 million to HK\$139.2 million during the Period due to the strong growth in gross profit of China sand casting plants as a result of significant revenue growth of products from high horsepower engine end-market, which was more than enough to offset the gross loss reported in Mexico sand casting plant. Surface treatment business reported a gross loss of HK\$0.9 million since Nantong Plant remained in revenue ramp up stage after rehabilitation.

The Group's gross profit margin was 26.4% for the six months ended 30 June 2024, compared to 26.0% in the last corresponding period. The increase in gross profit margin was mainly attributable to the increase in gross profit margin of both investment casting and sand casting businesses but was largely offset by lower gross profit of China, Mexico and Turkey precision machining and other plants.

### Other revenue

The Group's other revenue during the six months ended 30 June 2024 decreased by HK\$1.3 million to HK\$13.5 million (six months ended 30 June 2023: HK\$14.8 million). Other revenue mainly represented various discretionary incentives from the local PRG governments in relation to technology development and other incentive programs.

### Other net income

The Group recorded other net income of HK\$44.8 million for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$25.7 million). Other net income mainly represented net foreign exchange gain of HK\$43.0 million primarily caused by the devaluation of Turkish Lira against Euro and devaluation of Renminbi against Hong Kong Dollars. In the corresponding period in 2023, the net income mainly represented the insurance compensation of HK\$12.4 million received from the Nantong fire incident and net foreign exchange gain of HK\$15.4 million arising mainly from the devaluation of RMB against Hong Kong Dollars.

### Selling and distribution expenses

The Group's selling and distribution expenses increased by HK\$3.1 million or 3.7% to HK\$87.0 million for the six months ended 30 June 2024. The increase in selling and distribution expenses was mainly caused by the increase in freight and tariff expenses during the Period. Selling and distribution expenses to revenue ratio was 3.6% for the Period (six months ended 30 June 2023: 3.5%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK\$17.5 million, or 11.2%, to HK\$173.6 million for the six months ended 30 June 2024, as compared to HK\$156.1 million for the last corresponding period. The increase was mainly attributable to increase in staff costs, particularly in the Mexico and Turkey plants. Administrative and other operating expenses to revenue rate was 7.2% for the Period (six months ended 30 June 2023: 6.5%).

## Net finance costs

The Group's net finance costs increased to HK\$55.0 million for the six months ended 30 June 2024 from HK\$50.4 million for the last corresponding period. The increase was mainly due to higher US dollar and HK dollar borrowing rate during the Period.

## Income tax

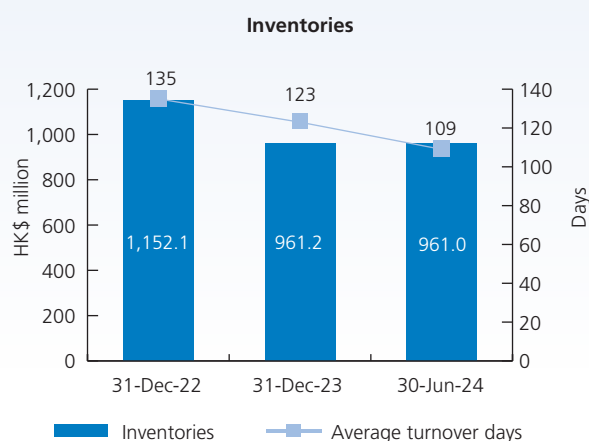
The Group's income tax expense increased to HK\$71.7 million for the six months ended 30 June 2024 from HK\$70.7 million for the last corresponding period, which reflected a higher reported profit during the Period.

## Working Capital

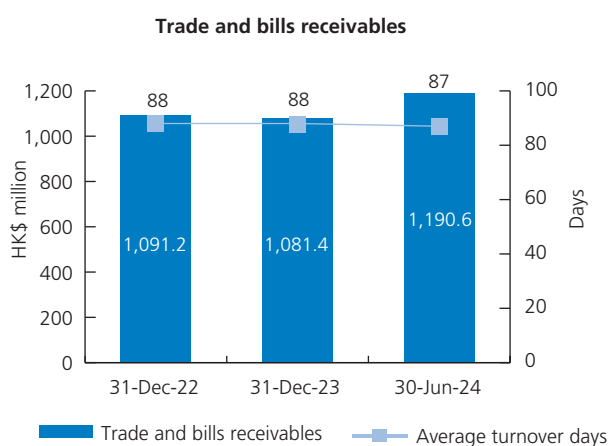
HK\$ million	As at 30 June 2024	As at 31 December 2023
Inventories	961.0	961.2
Trade and bills receivables	1,190.6	1,081.4
Prepayments, deposits and other receivables	296.3	302.9
Trade payables	(517.4)	(519.5)
Other payables and accruals	(378.8)	(308.9)
Deferred income	(136.6)	(135.1)
Defined benefit retirement benefits obligations	(67.0)	(64.3)
	<b>1,348.1</b>	1,317.7



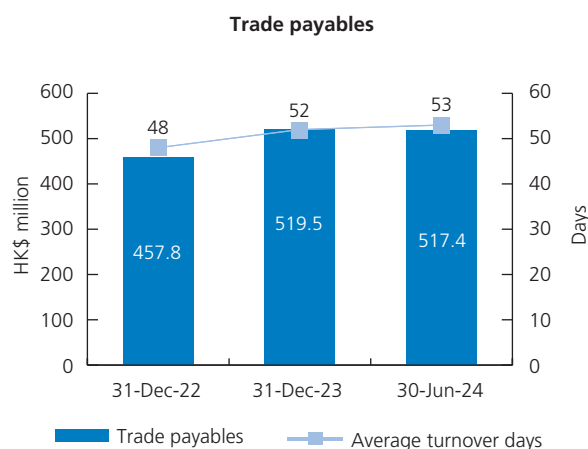
**Inventories** decreased by HK\$0.2 million to HK\$961.0 million as of 30 June 2024 (31 December 2023: HK\$961.2 million) mainly due to tightening of inventory management in view of softening of customers' demand in certain end-markets during the Period. Inventory turnover days decreased by 14 days to 109 days as at 30 June 2024 from 123 days as at 31 December 2023.



**Trade and bills receivables** increased by HK\$109.2 million to HK\$1,190.6 million as of 30 June 2024 (31 December 2023: HK\$1,081.4 million) due to increase in revenue during the Period. Trade receivable turnover days decreased by 1 day from 88 days as at 31 December 2023 to 87 days as at 30 June 2024, mainly due to overall tightening of credit control. 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 30 June 2024, current receivables and overdue balances of less than 30 days remained high at 92.9% (31 December 2023: 94.4%) of the balance of the gross trade and bills receivables.



**Trade payables** decreased slightly by HK\$2.1 million to HK\$517.4 million as of 30 June 2024 (31 December 2023: HK\$519.5 million). Trade payable turnover days as at 30 June 2024 increased by 1 day to 53 days as compared to 52 days as at 31 December 2023.





# MANAGEMENT DISCUSSION AND ANALYSIS

## EBITDA and net profit

The Group's EBITDA (earnings before interest, taxation, depreciation and amortization) during the Period was HK\$694.3 million, or EBITDA margin of 28.9%, as compared to EBITDA of HK\$671.0 million, or EBITDA margin of 27.9% in the last corresponding period. Profit attributable to the Shareholders during the period was HK\$304.5 million, as compared to HK\$303.2 million in the last corresponding period. Net profit margin for the Period was 12.7%, as compared to 12.6% in the last corresponding period.

Excluding the impact of one-off gain of insurance claims received for Nantong fire incident last year, the Group's adjusted EBITDA margin was 28.9%, which was 1.5% higher than 27.4% attained in the last corresponding period, and the adjusted profit attributable to the Shareholders was HK\$322.3 million for the six months ended 30 June 2024, an increase of 3.6% as compared to HK\$311.2 million in the last corresponding period. Adjusted net profit margin was 13.5% for the six months ended 30 June 2024, as compared to 13.0% attained in the last corresponding period.

## Financial resources and liquidity

As at 30 June 2024, the total assets of the Group decreased by 1.9% to HK\$8,140.8 million and total equity decreased by 1.2% to HK\$4,841.5 million as compared to the amount as at 31 December 2023. The decrease in total assets was mainly attributable to the decrease in cash and bank balance as the Group sought to reduce the net finance costs due to the high interest rate environment. The Group's current ratio as at 30 June 2024 was 1.62, slightly higher than that of 1.55 as at 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 spending and product development which are financed by the Group's internal working capital as well as the bank loan facilities from various banks.

The table below sets forth a condensed consolidated cash flow statement of the Group for the periods indicated:

	Six months ended 30 June	
	2024 HK\$ million	2023 HK\$ million
<b>Cash (used in)/generated from:</b>		
Operating activities	497.9	677.5
Investing activities	(341.3)	(402.6)
Financing activities	(333.6)	(148.0)
<b>Net movement in cash</b>	<b>(177.0)</b>	126.9



Cash flows generated from operating activities during the Period was HK\$497.9 million, representing a decrease of HK\$179.6 million compared to HK\$677.5 million in the last corresponding period. The decrease in cash flows from operating activities was mainly due to increase in trade and bills receivables balance during the Period.

Cash flows used in investing activities was HK\$341.3 million, representing a decrease of HK\$61.3 million compared to HK\$402.6 million in the last corresponding period. The major items on investing activities were payment of capital expenditure which include purchases of machinery, equipment, tooling and infrastructure amounted to HK\$315.8 million.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b> HK\$ million	2023 HK\$ million
Payment for the acquisition of property, plant and equipment	<b>(315.8)</b>	(373.8)
Payment for deferred expenses	<b>(44.2)</b>	(38.4)
Others	<b>18.7</b>	9.6
<b>Net cash used in investing activities</b>	<b>(341.3)</b>	(402.6)

Cash flows used in financing activities was HK\$333.6 million, representing an increase of HK\$185.6 million compared to HK\$148.0 million in last corresponding period. Major movements during the Period mainly involved proceeds from bank loans of HK\$796.3 million, repayment of bank borrowings of HK\$915.9 million and second interim dividend payment in 2023 of HK\$151.0 million.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b> HK\$ million	2023 HK\$ million
Proceeds from bank loans	<b>796.3</b>	673.4
Repayment of bank loans	<b>(915.9)</b>	(607.2)
Interest paid	<b>(59.3)</b>	(56.8)
Lease rentals paid	<b>(3.7)</b>	(7.2)
Dividend paid	<b>(151.0)</b>	(150.8)
Proceeds from exercise of share options	<b>–</b>	0.6
<b>Net cash used in financing activities</b>	<b>(333.6)</b>	(148.0)

# MANAGEMENT DISCUSSION AND ANALYSIS

## Indebtedness

As at 30 June 2024, the Group's total borrowings was HK\$2,124.8 million, representing a decrease of HK\$133.0 million from HK\$2,257.8 million as at 31 December 2023. The decrease in borrowings was due to the management's effort to apply surplus cash to repay bank borrowings in order to reduce net finance costs.

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

	<b>As at 30 June 2024 HK\$ million</b>	As at 31 December 2023 HK\$ million
Current bank loans	<b>878.0</b>	1,028.6
Non-current bank loans	<b>1,234.9</b>	1,211.9
Current lease liabilities	<b>3.7</b>	7.7
Non-current lease liabilities	<b>8.2</b>	9.6
<b>Total borrowings</b>	<b>2,124.8</b>	2,257.8

As at 30 June 2024, the Group had total banking facilities available for drawdown of HK\$1,945.4 million (as at 31 December 2023: HK\$1,785.6 million).

The Group's net gearing ratio as at 30 June 2024 was 34.6% (31 December 2023: 33.2%). This ratio is based on total borrowings less cash and cash equivalents divided by total equity. The increase in gearing ratio during the Period was mainly due to the slight increase in net debt balance as of 30 June 2024.

## Capital Expenditures and Commitments

The management of the Group exercised careful control over capital expenditures. Capital expenditures of the Group amounted to HK\$359.9 million for the six months ended 30 June 2024 which was primarily used in the production capacity expansion in the PRC and Turkey plants, as well as the infrastructure and machinery spending for the new plants in Mexico. Among which, the Group incurred HK\$117.5 million for the construction of new plants in Mexico, including the purchases of machinery for 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 30 June 2024 amounted to HK\$244.9 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 as at 30 June 2024.

## Contingent Liabilities

No material contingent liability existed as at 30 June 2024.



## Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 18 June 2019 issued for the Global Offering and in the Chairman's Statement in this interim report, the Group did not have other future plans for material investments or capital assets.

## Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries during the six months ended 30 June 2024.

## Treasury Policies and Exposure to Fluctuation in Exchange Rates

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

The Group's revenue was mainly denominated in US dollar, Euro dollar and RMB while most of the cost of sales is denominated in RMB, Turkish lira, Euro dollar and Mexican peso. As a result, exchange rate fluctuations between US dollar, Euro dollar, RMB, Turkish lira and Mexican peso against Hong Kong dollar could affect the Group's performance and asset value in the reporting currency of Hong Kong dollar.

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 sales currency proportion with a view to reduce the impact of exchange rate fluctuations. As at 30 June 2024, the borrowings of the Group were denominated in Hong Kong dollar, US dollar, RMB and Euro dollar, in which, HK\$758.3 million of borrowings were at fixed interest rates.

During the six months ended 30 June 2024, the Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations, and the Group did not use any financial instrument for hedging purpose.

## Employees and Remuneration Policy

As at 30 June 2024, the Group had 7,957 full-time employees of whom 6,238 were from the Mainland China and 1,719 were from Turkey, Germany, Mexico, Hong Kong, United states, and other countries. Total staff costs, including the emoluments of the Directors, amounted to HK\$671.8 million for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$594.8 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 the 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 options may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

The Group adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") for its employees.



# FURTHER INFORMATION ON THE GROUP

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Having taken consideration the profitability of the Group and the financial resources required for business expansion, the Board has resolved to declare an interim dividend of 8.0 HK cents per Share (six months ended 30 June 2023: 8.0 HK cents per Share) for the six months ended 30 June 2024 in the total amount of approximately HK\$151.0 million (six months ended 30 June 2023: HK\$150.8 million). Relevant dates for interim dividend payment are set out below.

### Relevant Dates for Interim Dividend Payment

Ex-dividend date	21 August 2024
Closure of register of members	23 August to 27 August 2024 (both days inclusive)
Record date	27 August 2024
Dividend payment date	on or before 6 September 2024

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 22 August 2024.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of the Company's corporate governance practices with effect from the date of the listing of the Company.

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 six months ended 30 June 2024, except for the deviation from code provision C.2.1 of the CG Code as described below.

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

The Board has established an audit committee, a nomination committee, a remuneration committee and a sustainability committee, each with defined terms of reference which are no less exacting than those set out in the CG Code.



## 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 six months ended 30 June 2024.

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

As of 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which was required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### THE COMPANY AND ASSOCIATED CORPORATION

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

<b>Name of Directors</b>	<b>Nature of interest/ capacity</b>	<b>Number of Shares or underlying Shares</b>	<b>Approximate percentage of the Company’s issued share capital<sup>(5)</sup></b>
Mr. LU Ruibo (“Mr. LU”)	Interest in a controlled corporation <sup>(1)</sup>	1,348,118,787	71.43
	Spouse interest	300,000	0.02
	Beneficial owner	9,239,000	0.49
Mr. YU Yuepeng	Beneficial owner <sup>(2)</sup>	500,000	0.03
Ms. ZHU Liwei	Beneficial owner <sup>(3)</sup>	500,000	0.03
Mr. WANG Dong	Beneficial owner <sup>(4)</sup>	500,000	0.03

# FURTHER INFORMATION ON THE GROUP

## (ii) Interest in associated corporation

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

Notes:

- (1) All issued shares of Impro Development Limited (“Impro Development”) are beneficially owned by Mr. LU and Mr. LU is the sole director of Impro Development. Accordingly, Mr. LU is deemed to be interested in the 1,348,118,787 Shares held by Impro Development under the SFO.
- (2) Mr. YU Yuepeng was granted options under the Pre-IPO Share Option Scheme to subscribe for 1,500,000 Shares and options representing 500,000 Shares and 500,000 Shares were expired during the years ended 31 December 2022 and 2023, respectively. No option has been exercised during the six months ended 30 June 2024.
- (3) Ms. ZHU Liwei was granted options under the Pre-IPO Share Option Scheme to subscribe for 1,500,000 Shares and options representing 500,000 Shares and 500,000 Shares were expired during the years ended 31 December 2022 and 2023, respectively. No option has been exercised during the six months ended 30 June 2024.
- (4) Mr. WANG Dong was granted options under the Pre-IPO Share Option Scheme to subscribe for 1,500,000 Shares and options representing 500,000 Shares were expired during the year ended 31 December 2022. Options representing 29,000 Shares were exercised and subsequently disposed of, and 471,000 Shares were expired respectively during the year ended 31 December 2023. No option has been exercised during the six months ended 30 June 2024.
- (5) The percentages were calculated based on the total number of 1,887,285,665 issued Shares as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying Share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As of 30 June 2024, the interests and short positions of the persons, other than Directors and chief executive of the Company, (except for Mr. LU and his controlled company) in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

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

Notes:

- (1) GT Cedar is owned as to 80% by Genertec Investment Management Co. Ltd. and 20% by Genertec Hong Kong International Capital Limited.
- (2) GT Cedar is owned as to 80% by Genertec Investment Management Co., Ltd. Genertec Investment Management Co. Ltd. is owned as to 99.7% by Genertec Capital Company Limited, a wholly-owned subsidiary of China General Technology (Group) Holding Company Limited. Under the SFO, Genertec Investment Management Co. Ltd., Genertec Capital Company Limited and China General Technology (Group) Holding Company Limited are deemed to be interested in the Shares held by GT Cedar.
- (3) The percentages were calculated based on the total number of 1,887,285,665 issued Shares as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any persons other than the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



# FURTHER INFORMATION ON THE GROUP

## SHARE OPTION SCHEMES

On 15 June 2018, the Company adopted the Pre-IPO Share Option Scheme and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”), pursuant to which the Company may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein.

As at 30 June 2024, the Company had granted share options to certain eligible participants pursuant to the Pre-IPO Share Option Scheme and no option had been granted under the Post-IPO Share Option Scheme.

## PRE-IPO SHARE OPTION SCHEME

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

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall represent 20% discount to the Offer Price.
- (b) save for the options which have been granted, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so was ended upon the date of listing of the Company.

The table below sets forth the movement of share options granted to Directors and other grantees under the Pre-IPO Share Option Scheme during the six months ended 30 June 2024:

Grantees	Date of grant	Exercise price per option	Exercise period	Number of options <sup>(1)</sup>				Outstanding as of 30 June 2024
				Outstanding as of 1 January 2024	Granted during the Period	Exercised during the Period	Expired or forfeited during the Period	
<b>Directors</b>								
Ms. WANG Hui, Ina (resigned with effect from 29/6/2024)	28/6/2019 <sup>(2)</sup>	HK\$2.4	29/06/2022–25/12/2024	500,000	–	–	(500,000)	–
Mr. YU Yuepeng	28/6/2019 <sup>(2)</sup>	HK\$2.4	29/06/2022–25/12/2024	500,000	–	–	–	500,000
Ms. ZHU Liwei	28/6/2019 <sup>(2)</sup>	HK\$2.4	29/06/2022–25/12/2024	500,000	–	–	–	500,000
Mr. WANG Dong	28/6/2019 <sup>(2)</sup>	HK\$2.4	29/06/2022–25/12/2024	500,000	–	–	–	500,000
Other employees	28/6/2019 <sup>(2)</sup>	HK\$2.4	29/06/2022–25/12/2024	5,181,506	–	–	(127,492)	5,054,014
				7,181,506	–	–	(627,492)	6,554,014



Notes:

- (1) Number of options refers to the number of underlying Shares of the Company covered by the options under the Pre-IPO Share Option Scheme.
- (2) These options shall vest in 3 equal tranches. The three tranches are exercisable during a period of 180 days immediately after the third, fourth and fifth anniversary of the listing date of the Company on 28 June 2019 (both days inclusive).
- (3) Since the Company's Shares were listed on 28 June 2019, the closing price of the Company's shares immediately before the date on which the share options were granted was not applicable.
- (4) Share options to subscribe for 627,492 shares have been forfeited during the six months ended 30 June 2024 following the cessation of employment of certain grantees.

The total number of Shares of the Company that would be issued upon the exercise of all outstanding share options as at the date of this report are 6,554,014, which represents approximately 0.3% of the issued share capital of the Company as at the date of this report.

Save as disclosed above, no share options were granted, exercised, expired, forfeited or cancelled under the Pre-IPO Share Option Scheme during the six months ended 30 June 2024.

## POST-IPO SHARE OPTION SCHEME

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

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

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



## FURTHER INFORMATION ON THE GROUP

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

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

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

The amount payable on acceptance of an Option is HK\$1.00. The subscription price of a Share in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of: (i) the nominal value of a Share; (ii) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; and (iii) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.



## **EVENTS AFTER THE END OF REPORTING PERIOD**

Save for the interim dividend as disclosed in the paragraphs under “interim dividend and closure of register of members”, no other material events affecting any member of the Group occurred after the end of the Period up to the date of this interim report.

## **CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE**

There has been no change in the information of the Directors and chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

## **REVIEW OF THE INTERIM RESULTS**

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members and the external auditor of the Company.

The unaudited interim financial report of the Group for the six months ended 30 June 2024 has also been reviewed by the Company’s external auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.



# INDEPENDENT REVIEW REPORT

## **Review report to the board of directors of Impro Precision Industries Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 29 to 52 which comprises the consolidated statement of financial position of Impro Precision Industries Limited (the “Company”) as of 30 June 2024 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*

8<sup>th</sup> Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

8 August 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Revenue</b>	4	<b>2,402,544</b>	2,404,843
Cost of sales		<b>(1,768,026)</b>	(1,780,680)
<b>Gross profit</b>		<b>634,518</b>	624,163
Other revenue	5(a)	<b>13,536</b>	14,773
Other net income	5(b)	<b>44,849</b>	25,700
Selling and distribution expenses		<b>(87,027)</b>	(83,934)
Administrative and other operating expenses		<b>(173,641)</b>	(156,144)
<b>Profit from operations</b>		<b>432,235</b>	424,558
Net finance costs	6(a)	<b>(55,049)</b>	(50,401)
<b>Profit before taxation</b>	6	<b>377,186</b>	374,157
Income tax	7	<b>(71,728)</b>	(70,666)
<b>Profit for the period</b>		<b>305,458</b>	303,491
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>304,469</b>	303,233
Non-controlling interest		<b>989</b>	258
<b>Profit for the period</b>		<b>305,458</b>	303,491
<b>Earnings per share</b>			
Basic (HK cents)	8(a)	<b>16.13</b>	16.09
Diluted (HK cents)	8(b)	<b>16.13</b>	16.07

The notes on pages 36 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 18(a).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
<b>Profit for the period</b>	<b>305,458</b>	303,491
<b>Other comprehensive income for the period (after tax adjustments)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Effect of remeasurement of defined benefit retirement plans obligation	287	1,541
Related tax	1,783	821
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong Dollars	(216,100)	138,012
<b>Other comprehensive income for the period (after tax adjustments)</b>	<b>(214,030)</b>	140,374
<b>Total comprehensive income for the period</b>	<b>91,428</b>	443,865
<b>Attributable to:</b>		
Equity shareholders of the Company	90,780	444,021
Non-controlling interest	648	(156)
<b>Total comprehensive income for the period</b>	<b>91,428</b>	443,865

The notes on pages 36 to 52 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	4,465,359	4,535,542
Prepayments for purchase of property, plant and equipment		77,793	52,401
Intangible assets		198,175	214,812
Goodwill	10	225,912	227,522
Deferred expenses		160,209	161,071
Other financial asset		1,543	1,554
Deferred tax assets		102,633	121,256
		<b>5,231,624</b>	5,314,158
<b>Current assets</b>			
Inventories	11	961,006	961,195
Trade and bills receivables	12	1,190,622	1,081,373
Prepayments, deposits and other receivables	13	296,280	302,866
Taxation recoverable		13,860	10,429
Cash and cash equivalents	14	447,433	630,850
		<b>2,909,201</b>	2,986,713
<b>Current liabilities</b>			
Bank loans	15	878,029	1,028,594
Lease liabilities		3,695	7,659
Trade payables	16	517,405	519,542
Other payables and accruals	17	378,794	308,871
Taxation payable		22,887	59,601
		<b>1,800,810</b>	1,924,267
<b>Net current assets</b>		<b>1,108,391</b>	1,062,446
<b>Total assets less current liabilities</b>		<b>6,340,015</b>	6,376,604

The notes on pages 36 to 52 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	15	1,234,851	1,211,909
Lease liabilities		8,234	9,649
Deferred income		136,557	135,126
Defined benefit retirement plans obligation		67,010	64,268
Deferred tax liabilities		51,826	54,696
		<b>1,498,478</b>	<b>1,475,648</b>
<b>NET ASSETS</b>			
		<b>4,841,537</b>	<b>4,900,956</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	188,729	188,729
Reserves		4,631,827	4,691,894
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,820,556</b>	<b>4,880,623</b>
<b>Non-controlling interest</b>		<b>20,981</b>	<b>20,333</b>
<b>TOTAL EQUITY</b>		<b>4,841,537</b>	<b>4,900,956</b>

Approved and authorized for issue by the board of directors on 8 August 2024.

Lu Ruibo

*Directors*

Wang Dong

The notes on pages 36 to 52 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interest	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2023</b>		188,456	1,434,456	14,997	260,079	(234,930)	(571)	2,716,770	4,379,257	18,740	4,397,997
<b>Changes in equity for the six months ended 30 June 2023:</b>											
Profit for the period		-	-	-	-	-	-	303,233	303,233	258	303,491
Other comprehensive income		-	-	-	-	138,426	-	2,362	140,788	(414)	140,374
Total comprehensive income		-	-	-	-	138,426	-	305,595	444,021	(156)	443,865
Appropriation of dividends	18(a)	-	-	-	-	-	-	(150,765)	(150,765)	-	(150,765)
Exercise of share options	18(b)	27	912	(298)	-	-	-	-	641	-	641
Equity settled share-based transactions	18(b)	-	-	1,376	-	-	-	-	1,376	-	1,376
<b>Balance at 30 June 2023 and 1 July 2023</b>		188,483	1,435,368	16,075	260,079	(96,504)	(571)	2,871,600	4,674,530	18,584	4,693,114
<b>Changes in equity for the six months ended 31 December 2023:</b>											
Profit for the period		-	-	-	-	-	-	281,860	281,860	1,412	283,272
Other comprehensive income		-	-	-	-	80,142	-	(10,946)	69,196	337	69,533
Total comprehensive income		-	-	-	-	80,142	-	270,914	351,056	1,749	352,805
Appropriation of dividends		-	-	-	-	-	-	(150,920)	(150,920)	-	(150,920)
Exercise of share options		246	8,396	(2,740)	-	-	-	-	5,902	-	5,902
Expiry of share options		-	-	(5,004)	-	-	-	5,004	-	-	-
Appropriation of reserve		-	-	-	27,144	-	-	(27,144)	-	-	-
Equity settled share-based transactions		-	-	55	-	-	-	-	55	-	55
<b>Balance at 31 December 2023</b>		188,729	1,443,764	8,386	287,223	(16,362)	(571)	2,969,454	4,880,623	20,333	4,900,956

The notes on pages 36 to 52 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange reserve HK\$'000	Fair value	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
							(non-recycling) HK\$'000				
<b>Balance at 1 January 2024</b>		<b>188,729</b>	<b>1,443,764</b>	<b>8,386</b>	<b>287,223</b>	<b>(16,362)</b>	<b>(571)</b>	<b>2,969,454</b>	<b>4,880,623</b>	<b>20,333</b>	<b>4,900,956</b>
<b>Changes in equity for the six months ended 30 June 2024:</b>											
Profit for the period		-	-	-	-	-	-	304,469	304,469	989	305,458
Other comprehensive income		-	-	-	-	(215,759)	-	2,070	(213,689)	(341)	(214,030)
Total comprehensive income		-	-	-	-	(215,759)	-	306,539	90,780	648	91,428
Appropriation of dividends	18(a)	-	-	-	-	-	-	(150,983)	(150,983)	-	(150,983)
Equity settled share-based transactions	18(b)	-	-	136	-	-	-	-	136	-	136
<b>Balance at 30 June 2024</b>		<b>188,729</b>	<b>1,443,764</b>	<b>8,522</b>	<b>287,223</b>	<b>(232,121)</b>	<b>(571)</b>	<b>3,125,010</b>	<b>4,820,556</b>	<b>20,981</b>	<b>4,841,537</b>

The notes on pages 36 to 52 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 (unaudited)  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Operating activities</b>			
Cash generated from operations		560,046	718,749
Tax paid		(62,114)	(41,249)
<b>Net cash generated from operating activities</b>		<b>497,932</b>	<b>677,500</b>
<b>Investing activities</b>			
Payment for the acquisition of property, plant and equipment		(315,768)	(373,811)
Payment for deferred expenses		(44,166)	(38,374)
Other cash flows arising from investing activities		18,595	9,630
<b>Net cash used in investing activities</b>		<b>(341,339)</b>	<b>(402,555)</b>
<b>Financing activities</b>			
Proceeds from bank loans		796,261	673,392
Repayment of bank loans		(915,882)	(607,221)
Interest paid		(59,309)	(56,845)
Capital element of lease rentals paid		(3,404)	(6,787)
Interest element of lease rentals paid		(302)	(387)
Proceeds from exercise of share options		–	641
Dividends paid to equity shareholders of the Company	18(a)	(150,983)	(150,765)
<b>Net cash used in financing activities</b>		<b>(333,619)</b>	<b>(147,972)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(177,026)</b>	<b>126,973</b>
<b>Cash and cash equivalents at 1 January</b>	14	<b>630,850</b>	<b>483,286</b>
<b>Effect of foreign exchange rate changes</b>		<b>(6,391)</b>	<b>(5,190)</b>
<b>Cash and cash equivalents at 30 June</b>	14	<b>447,433</b>	<b>605,069</b>

The notes on pages 36 to 52 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 GENERAL INFORMATION

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

## 2 BASIS OF PREPARATION

This interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorized for issue on 8 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 28.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.



### 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

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

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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

Revenue	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Investment casting	956,983	994,939
Precision machining and others	904,839	948,746
Sand casting	511,663	433,796
Surface treatment	29,059	27,362
	<b>2,402,544</b>	2,404,843

The Group's revenue from contracts with customers were recognized at point in time for the six months ended 30 June 2024 and 2023. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(iii).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting

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

- Investment casting: It is a metal forming process that casts molten metal into a ceramic mold produced by surrounding a wax pattern. The main products are automotive, diversified industrials, aerospace and medical components.
- Precision machining and others: It uses a computerized power-driven machine tool to drill or shape metal parts with high precision specifications. The main products are automotive, construction equipment and aerospace components, and hydraulic orbital motors.
- Sand casting: It is a metal forming process in which a mold is first formed from a three-dimensional pattern of sand and molten metal is poured into the 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, anodising, 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.



## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

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

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 period is set out below:

	Six months ended 30 June 2024				Total HK\$'000
	Investment casting HK\$'000	Precision machining and others HK\$'000	Sand casting HK\$'000	Surface treatment HK\$'000	
Revenue from external customers	956,983	904,839	511,663	29,059	2,402,544
Inter-segment revenue	–	–	–	13,602	13,602
Reportable segment revenue	956,983	904,839	511,663	42,661	2,416,146
Gross profit/(loss) from external customers	327,648	168,614	139,159	(903)	634,518
Inter-segment gross profit	–	–	–	4,499	4,499
Reportable segment gross profit	327,648	168,614	139,159	3,596	639,017
Depreciation and amortization	95,580	98,352	58,499	9,598	262,029
Reportable segment profit	336,262	165,226	146,180	9,053	656,721



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

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

	Six months ended 30 June 2023				
	Investment casting HK\$'000	Precision machining and others HK\$'000	Sand casting HK\$'000	Surface treatment HK\$'000	Total HK\$'000
Revenue from external customers	994,939	948,746	433,796	27,362	2,404,843
Inter-segment revenue	–	–	–	13,092	13,092
Reportable segment revenue	994,939	948,746	433,796	40,454	2,417,935
Gross profit from external customers	315,630	217,209	91,068	256	624,163
Inter-segment gross profit	–	–	–	5,319	5,319
Reportable segment gross profit	315,630	217,209	91,068	5,575	629,482
Depreciation and amortization	79,405	101,979	53,390	11,676	246,450
Reportable segment profit	310,737	228,408	101,927	13,887	654,959
	As at 30 June 2024				
	Investment casting HK\$'000	Precision machining and others HK\$'000	Sand casting HK\$'000	Surface treatment HK\$'000	Total HK\$'000
Reportable segment assets	2,888,107	2,591,628	1,746,450	369,134	7,595,319
	As at 31 December 2023				
	Investment casting HK\$'000	Precision machining and others HK\$'000	Sand casting HK\$'000	Surface treatment HK\$'000	Total HK\$'000
Reportable segment assets	2,876,300	2,627,755	1,697,622	346,945	7,548,622



## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	2,416,146	2,417,935
Elimination of inter-segment revenue	(13,602)	(13,092)
Consolidated revenue	2,402,544	2,404,843
<b>Gross profit</b>		
Reportable segment gross profit	639,017	629,482
Elimination of inter-segment gross profit	(4,499)	(5,319)
Consolidated gross profit	634,518	624,163
<b>Profit</b>		
Reportable segment profit	656,721	654,959
Elimination of inter-segment profit	(4,499)	(5,319)
Reportable segment profit derived from Group's external customers	652,222	649,640
Other revenue	13,536	14,773
Other net income	44,849	25,700
Unallocated head office and corporate expenses	(16,343)	(19,105)
Consolidated profit before interest, taxes, depreciation and amortization	694,264	671,008
Net finance costs	(55,049)	(50,401)
Depreciation and amortization	(262,029)	(246,450)
Consolidated profit before taxation	377,186	374,157

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### (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

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Americas		
— United States of America ("United States")	1,090,100	1,023,291
— Others	113,913	117,235
Europe	739,919	790,159
Asia		
— The People's Republic of China ("PRC")	392,975	405,579
— Others	65,637	68,579
	<b>2,402,544</b>	<b>2,404,843</b>

#### Specified non-current assets

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
	United States	7,690
Europe	457,426	485,794
The PRC	2,961,298	2,912,711
Mexico	1,702,577	1,786,253
	<b>5,128,991</b>	<b>5,192,902</b>



## 5 OTHER REVENUE AND OTHER NET INCOME

### (a) Other revenue

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Rental income	700	292
Government grants	12,200	12,694
Others	636	1,787
	<b>13,536</b>	14,773

### (b) Other net income

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Net exchange gain	42,953	15,369
Net loss on disposal of property, plant and equipment	(188)	(606)
Insurance claims (Note)	–	12,378
Others	2,084	(1,441)
	<b>44,849</b>	25,700

Note: Impro Aerotek (Nantong) Limited received partial insurance claims of RMB11,000,000 (equivalent to approximately HK\$12,378,000) during the six months ended 30 June 2023 in respect of loss on the fire accident in June 2022.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION

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

### (a) Net finance costs

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Interest income	(4,562)	(6,831)
Interest expenses on bank loans	59,309	56,845
Interest expenses on lease liabilities	302	387
	<b>59,611</b>	57,232
Net finance costs	<b>55,049</b>	50,401

### (b) Other items

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Cost of inventories recognized as expenses*	1,768,026	1,780,680
Depreciation charges		
— owned property, plant and equipment	197,580	176,824
— right-of-use assets	5,531	14,180
Amortization of intangible assets	15,028	15,803
Amortization of deferred expenses	43,890	39,643
Research and development expenses	82,895	71,489
Provision of impairment loss on trade receivables	4,095	5,340
(Reversal of)/provision for write-down of inventories	(10,219)	9,594

\* Cost of inventories recognized as expenses includes amounts relating to 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 for each of these types of expenses.



## 7 INCOME TAX

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Current tax — Chinese Mainland Corporate Income Tax		
— Provision for the period	42,264	30,600
— Bonus deduction of research and development expenses	(14,183)	(10,630)
— Over-provision in respect of prior years	(1,331)	(1,335)
Current tax — Hong Kong Profits Tax	11,013	23,605
Current tax — Tax jurisdictions outside Chinese Mainland and Hong Kong	15,786	20,560
	<b>53,549</b>	62,800
Deferred taxation	18,179	7,866
	<b>71,728</b>	70,666

The provision for Chinese Mainland income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the Chinese Mainland as determined in accordance with the relevant income tax rules and regulations of the Chinese Mainland. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2023: 16.5%) to the six months ended 30 June 2024. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 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\$304,469,000 (six months ended 30 June 2023: HK\$303,233,000) and the weighted average of 1,887,285,665 ordinary shares (2023: 1,884,560,975 shares) in issue during the interim period.

### (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\$304,469,000 (six months ended 30 June 2023: HK\$303,233,000) and the weighted average of 1,887,285,665 ordinary shares (2023: 1,886,966,854 shares).

For the six months ended 30 June 2024 and 2023, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares.

During the six months ended 30 June 2024, the dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share was the same as basic earnings per share of the six months ended 30 June 2024.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of new lease agreements for use of properties, and therefore recognized the additions to right-of-use assets of HK\$686,000 (six months ended 30 June 2023: HK\$47,984,000 for new lease agreements for use of property and acquired a parcel of leasehold land in the PRC). Apart from that, items of right-of-use assets with a net book value of HK\$2,997,000 (six months ended 30 June 2023: HK\$2,270,000) were disposed of during the six months ended 30 June 2024, resulting in a loss on disposal of HK\$379,000 (six months ended 30 June 2023: a gain on disposal of HK\$497,000).

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment at a cost of HK\$333,781,000 (six months ended 30 June 2023: HK\$306,380,000). Apart from that, items of property, plant and equipment with a net book value of HK\$2,885,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$3,297,000), resulting in a gain on disposal of HK\$191,000 (six months ended 30 June 2023: a loss on disposal of HK\$1,103,000).

## 10 GOODWILL

	HK\$'000
<b>Cost:</b>	
At 1 January 2023	230,821
Exchange adjustment	(3,299)
	<hr/>
At 31 December 2023 and 1 January 2024	227,522
Exchange adjustment	(1,610)
	<hr/>
At 30 June 2024	225,912
	-----
<b>Accumulated impairment losses:</b>	
At 31 December 2023, 1 January 2024 and 30 June 2024	-
	-----
<b>Carrying amount:</b>	
At 30 June 2024	225,912
	<hr/>
At 31 December 2023	227,522
	<hr/>



## 11 INVENTORIES

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Raw materials	<b>237,082</b>	253,368
Work in progress	<b>402,155</b>	378,371
Finished goods	<b>421,792</b>	441,233
	<b>1,061,029</b>	1,072,972
Write down of inventories	<b>(100,023)</b>	(111,777)
	<b>961,006</b>	961,195

During the six months ended 30 June 2024, the Group reversed a write-down of HK\$10,219,000 (six months ended 30 June 2023: provided a write-down of HK\$9,594,000) against those inventories with net realizable value higher than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss.

## 12 TRADE AND BILLS RECEIVABLES

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Trade receivables	<b>1,155,356</b>	1,026,376
Bills receivable	<b>60,049</b>	75,823
	<b>1,215,405</b>	1,102,199
Less: loss allowance	<b>(24,783)</b>	(20,826)
	<b>1,190,622</b>	1,081,373

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 TRADE AND BILLS RECEIVABLES (Continued)

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

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Within 1 month	523,284	572,492
1 to 3 months	517,998	390,336
Over 3 months but within 12 months	149,340	118,545
	<b>1,190,622</b>	1,081,373

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

## 13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Prepayments	77,127	81,803
Value added tax recoverable	174,687	173,916
Other deposits and receivables	44,466	47,147
	<b>296,280</b>	302,866

## 14 CASH AND CASH EQUIVALENTS

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Cash at bank	447,238	630,721
Cash on hand	195	129
	<b>447,433</b>	630,850

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to HK\$306,446,000 (2023: HK\$464,990,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.



## 15 BANK LOANS

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

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Short-term bank loans	<b>477,466</b>	432,421
Current portion of long-term bank loans	<b>400,563</b>	596,173
Within 1 year or on demand	<b>878,029</b>	1,028,594
After 1 year but within 2 years	<b>649,790</b>	576,593
After 2 years but within 5 years	<b>585,061</b>	635,316
	<b>1,234,851</b>	1,211,909
	<b>2,112,880</b>	2,240,503

As at 30 June 2024 and 31 December 2023, none of the Group's bank loans were secured.

Certain banking facilities of the Group are subject to the fulfilment of financial covenants relating to certain of the financial ratios of the Group or the subsidiaries of the Group, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. As at 30 June 2024 and 31 December 2023, none of the covenants relating to drawn down facilities had been breached.

## 16 TRADE PAYABLES

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Trade payables	<b>517,405</b>	519,542

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

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

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Within 1 month	<b>317,613</b>	311,748
1 to 3 months	<b>142,079</b>	166,343
Over 3 months	<b>57,713</b>	41,451
	<b>517,405</b>	519,542

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 17 OTHER PAYABLES AND ACCRUALS

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Other payables (Note)	321,231	252,042
Accrued expenses	57,563	56,829
	<b>378,794</b>	308,871

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

Note:

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

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Deferred consideration payable	21,745	21,900
Salaries, wages, bonus and benefits payable	110,759	109,950
Payables for purchase of property, plant and equipment	77,041	33,158
Contract liabilities	28,306	21,108
Other tax payable	23,021	18,262
Advances received for plant relocation	10,957	–
Maintenance costs payable	6,432	4,499
Freight costs payable	4,960	4,393
Others	38,010	38,772
	<b>321,231</b>	252,042



## 18 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Interim dividend declared after the end of each reporting period of HK\$0.08 per share (six months ended 30 June 2023: HK\$0.08 per share)	<b>150,983</b>	150,786

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

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Second interim dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.08 per share (six months ended 30 June 2023: HK\$0.08 per share)	<b>150,983</b>	150,765

### (b) Equity settled share-based transactions

On 28 June 2019, 30,230,000 share options were granted to directors, senior management and employees of the Group in three tranches under the Company's employee share option scheme. A portion of share options vested on 29 June 2023 and were exercised or expired during the year ended 31 December 2023, and the rest tranche of share options vested on 29 June 2024 and then be exercisable until 25 December 2024 in tranches. The exercise price is HK\$2.40, being 20% discount to the initial public offering price of the Company's ordinary shares. Each option gives the holder the right to subscribe for one ordinary share in the Company.

During the six months ended 30 June 2024, a total of nil (six months ended 30 June 2023: 267,000) options were exercised to subscribe for a total of nil (six months ended 30 June 2023: 267,000) ordinary shares in the Company at a consideration of HK\$nil (six months ended 30 June 2023: HK\$641,000), of which HK\$nil (six months ended 30 June 2023: HK\$27,000) was credited to share capital and HK\$nil (six months ended 30 June 2023: HK\$614,000) was credited to share premium. HK\$nil was transferred from the capital reserve to the share premium account (six months ended 30 June 2023: HK\$298,000).

When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in capital reserve will be transferred to retained profits.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report were as follows:

	<b>At 30 June 2024 HK\$'000</b>	At 31 December 2023 HK\$'000
Contracted for:	<b>244,856</b>	286,521
Represented by:		
Construction of plants	<b>156,372</b>	154,740
Acquisition of machinery	<b>88,484</b>	131,781
	<b>244,856</b>	286,521

## 20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the board meeting on 8 August 2024, the directors resolved to declare an interim dividend of HK\$0.08 per share. Further details are disclosed in Note 18(a).