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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

- 2024 revenue of HK$4,686.8 million (2023: HK$4,604.4 million), a year-on-year increase of 1.8%
- Strong year-on-year revenue growth rate of 58.6% in high horsepower engine end-market and 26.8% in aerospace end-market
- Gross profit increased by 7.7% to HK$1,269.1 million (2023: HK$1,178.3 million) and gross profit margin was 27.1% (2023: 25.6%)
- Profit attributable to shareholders of the Company increased to HK$644.3 million (2023: HK$585.1 million), a year-on-year increase of 10.1%
- Adjusted profit attributable to shareholders of the Company increased to HK$615.5 million (2023: HK$532.0 million), a year-on-year increase of 15.7%
- The Board resolved to declare a second interim dividend of 8.0 HK cents per share. Together with the first interim dividend of 8.0 HK cents per share, total dividend for the year ended 31 December 2024 amounted to 16.0 HK cents per share, equivalent to approximately 49% dividend payout ratio based on adjusted profit attributable to shareholders of the Company

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

Revenue by end-market

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

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

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

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

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

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

Revenue by business segment

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

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

Revenue by geographical market

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

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

CORPORATE DEVELOPMENT AND STRATEGY

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

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

LU Ruibo
Chairman and Chief Executive Officer

Hong Kong, 11 March 2025

FINANCIAL PERFORMANCE

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

Note:

1 Adjusted effective tax rate is computed as below:

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross profit and gross profit margin

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

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

Other revenue

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

Other net income

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

Selling and distribution expenses

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

Administrative and other operating expenses

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

Net finance costs

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

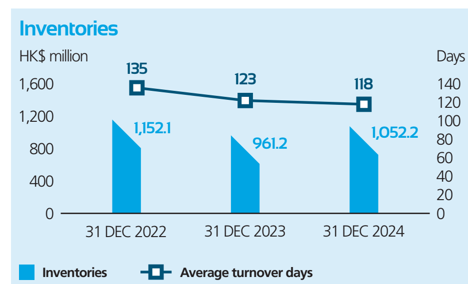
Income tax

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

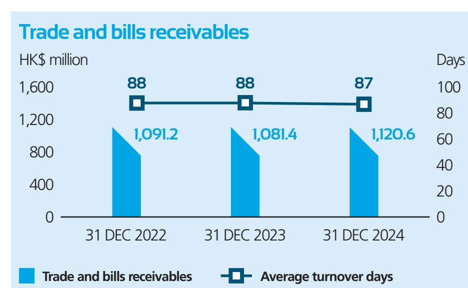
Working capital

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

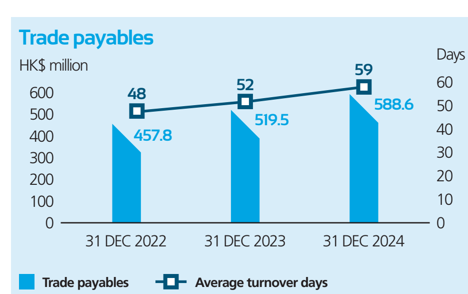
Inventories increased by HK$91.0 million to HK$1,052.2 million as of 31 December 2024 (31 December 2023: HK$961.2 million) mainly due to the increase in work in progress and finished goods to cope with higher customers' demand during the year ended 31 December 2024. Inventory turnover days decreased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



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



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



EBITDA and Net profit

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

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

Financial resources and liquidity

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

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

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

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

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

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

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

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

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

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

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

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

Indebtedness

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

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

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

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

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

Capital Expenditures and Commitments

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

Pledge of Assets

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

Contingent Liabilities

No material contingent liability existed as at 31 December 2024.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

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

Significant Investments

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

Treasury Policies and Exposure to Fluctuation in Exchange Rates

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

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

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

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

Employees and Remuneration Policy

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

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

Sustainability

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

During the year, the Group was awarded the Standard Chartered Corporate Achievement Award 2024 "Sustainable Enterprise (Environment) — Excellence Award" and also won the Bronze Medal by a global reputable sustainability rating agency EcoVadis for three consecutive years, signifying the Group's outstanding corporate social responsibility and sustainability achievements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Note	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*3*	**4,686,795**	4,604,378
Cost of sales		**(3,417,651)**	(3,426,047)
Gross profit		**1,269,144**	1,178,331
Other revenue	*4(a)*	**33,189**	30,166
Other net income	*4(b)*	**125,481**	19,972
Selling and distribution expenses		**(177,021)**	(158,456)
Administrative and other operating expenses		**(362,630)**	(341,764)
Profit from operations		**888,163**	728,249
Net finance costs	*5(a)*	**(102,261)**	(108,377)
Profit before taxation	*5*	**785,902**	619,872
Income tax	*6*	**(140,098)**	(33,109)
Profit for the year		**645,804**	586,763
Attributable to:			
Equity shareholders of the Company		**644,304**	585,093
Non-controlling interest		**1,500**	1,670
Profit for the year		**645,804**	586,763
Earnings per share	*8*		
Basic *(HK cents)*		**34.1**	31.0
Diluted *(HK cents)*		**34.1**	31.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**4,322,632**	4,535,542
Prepayments for purchase of property, plant and equipment		**75,765**	52,401
Intangible assets		**184,223**	214,812
Goodwill	*9*	**222,654**	227,522
Deferred expenses		**158,960**	161,071
Other financial asset		**1,521**	1,554
Deferred tax assets		**83,880**	121,256
		5,049,635	5,314,158
Current assets			
Inventories		**1,052,233**	961,195
Trade and bills receivables	*10*	**1,120,602**	1,081,373
Prepayments, deposits and other receivables		**338,222**	302,866
Taxation recoverable		**9,387**	10,429
Cash and cash equivalents		**601,747**	630,850
		3,122,191	2,986,713
Current liabilities			
Bank loans		**919,234**	1,028,594
Lease liabilities		**3,778**	7,659
Trade payables	*11*	**588,573**	519,542
Other payables and accruals		**378,058**	308,871
Taxation payable		**24,430**	59,601
		1,914,073	1,924,267
Net current assets		**1,208,118**	1,062,446
Total assets less current liabilities		**6,257,753**	6,376,604

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2024

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

NOTES

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

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

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

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

The consolidated financial statements are presented in HK$, unless otherwise stated and have approved for issue by the Board of Directors on 11 March 2025. They have been prepared in accordance with all applicable International Financial Reporting Standard ("**IFRS**") using the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the financial year ended 31 December 2024 that is included in this preliminary annual results announcement does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

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

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

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

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

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

(b) Segment reporting

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

- Investment casting: It is a metal forming process that casts molten metal into a ceramic mold produced by surrounding a wax pattern. The main products are automotive, diversified industrials, aerospace and medical components.
- Precision machining and others: It uses a computerized power-driven machine tool to drill or shape metal parts with high precision specifications. The main products are automotive, construction equipment and aerospace components, and hydraulic orbital motors.
- Sand casting: It is a metal forming process in which a mold is first formed from a three-dimensional pattern of sand and molten metal is poured into the mould cavity for solidification. The main products are high horsepower engine and construction equipment components.
- Surface treatment: It primarily contains surface treatment services including plating, anodizing, painting and coating and is mainly used in automotive and aerospace end-markets.

(i) Segment results and assets

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

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

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

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

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

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

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

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

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

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

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

(iii) Geographical information

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

Revenue from external customers

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

Specified non-current assets

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

4 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

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

Note:

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

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

(b) Other net income

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

Note:

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

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

(b) Staff costs

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

(c) Other items

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

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2023: 16.5%).

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

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

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

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

7 DIVIDENDS

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

	At 31 December	
	2024	2023
	HK$'000	*HK$'000*
First interim dividend declared and paid of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,920
Second interim dividend declared after the end of the reporting period of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,983
	301,966	301,903

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

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

	At 31 December	
	2024	2023
	HK$'000	*HK$'000*
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.08 per share (2023: HK$0.08 per share)	**150,983**	150,765

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$644,304,000 (2023: HK$585,093,000) and the weighted average of 1,887,285,665 ordinary shares (2023: 1,885,638,877 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

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

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

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

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

9 GOODWILL

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

Impairment tests for cash-generating unit containing goodwill

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

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

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

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

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

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

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

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

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

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

10 TRADE AND BILLS RECEIVABLES

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

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

Aging analysis

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

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

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

11 TRADE PAYABLES

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

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

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

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

CORPORATE GOVERNANCE FRAMEWORK

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

RELEVANT DATES FOR SECOND INTERIM DIVIDEND

Second interim dividend

24 March 2025	Ex-dividend date
25 March 2025, 4:30 p.m.	Latest time to lodge share transfer
26–28 March 2025 (both days inclusive)	Closure of Register of Members
28 March 2025	Record date
8 April 2025	Payment date

In order to qualify for the above-mentioned second interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 25 March 2025.

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

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2024.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") since 15 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. Members of the Audit Committee are three independent non-executive Directors, namely, Mrs. CHOW Lok Mei Ki Cindy (appointed with effect from 31 December 2024), Dr. YEN Gordon and Mr. LEE Siu Ming. Mrs. CHOW Lok Mei Ki Cindy currently serves as the chairperson of the Audit Committee. The primary responsibilities of the Audit Committee are making recommendation to the Board on the appointment and removal of external auditors, reviewing draft financial statements of the Group, attending any material advice or matters in financial reporting or otherwise arising from the audit process and overseeing the risk management policies and internal control procedures of the Group.

The Company's consolidated financial statements for the year ended 31 December 2024 have been reviewed by the Audit Committee. The Audit Committee is of the view that the consolidated financial statements of the Company for the year ended 31 December 2024 comply with the applicable accounting standards and the disclosure requirements under the applicable laws and regulations, including the Listing Rules, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.improprecision.com) and the Stock Exchange (www.hkexnews.hk). The 2024 annual report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to the Shareholders in due course.

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

Hong Kong, 11 March 2025

As of the date of this announcement, the Board comprises four executive Directors, namely Mr. LU Ruibo, Mr. YU Yuepeng, Ms. ZHU Liwei and Mr. WANG Dong and three independent non-executive Directors, namely Dr. YEN Gordon, Mr. LEE Siu Ming and Mrs. CHOW Lok Mei Ki Cindy.