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 2022

HIGHLIGHTS

- 2022 revenue hit a record high of HK$4,354.7 million (2021: HK$3,777.7 million), a year-on-year increase of 15.3%
- Strong year-on-year revenue growth rate of 53.6% in Aerospace, Medical & Energy end-market
- Diversified Industrials end-market revenue increased by 24.5% on a year-on-year basis
- Gross profit increased to HK$1,261.0 million (2021: HK$1,022.4 million) and gross profit margin was 29.0% (2021: 27.1%)
- Profit attributable to shareholders of the Company increased to HK$582.0 million (2021: HK$382.8 million), a year-on-year significant increase of 52.0%
- Adjusted profit attributable to shareholders of the Company increased to HK$649.1 million (2021: HK$422.2 million), a year-on-year significant increase of 53.7%
- The Board declared 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 2022 amounted to 16.0 HK cents per share, representing a significant year-on-year increase of 58.4% or equivalent to approximately 46% dividend payout ratio based on adjusted profit attributable to shareholders of the Company

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report the annual results of Impro Precision Industries Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Impro**") for the year ended 31 December 2022.

During the year ended 31 December 2022, the revenue of the Group amounted to HK$4,354.7 million, representing a year-on-year increase of 15.3%. Profit attributable to shareholders of the Company amounted to HK$582.0 million, representing a significant year-on-year increase of 52.0%. If excluding certain significant one-off gains or losses and the amortization and depreciation charges in relation to the past purchase price allocation, the adjusted profit attributable to the shareholders of the Company amounted to HK$649.1 million, representing a significant year-on-year increase of 53.7%. The adjusted basic earnings per share amounted to 34.5 HK cents (year ended 31 December 2021: 22.4 HK cents). Taking into account the sound cash flow position and business prospect of the Group, in lieu of a final dividend, the Board resolved to declare a second interim dividend of 2022 of 8.0 HK cents per share. Along with the first interim dividend of 2022 of 8.0 HK cents per share, dividend for the year amounted to 16.0 HK cents per share, representing a significant year-on-year increase of 58.4% as compared to 10.1 HK cents per share in last year.

In 2022, the aerospace, medical and energy end-markets showed the most significant growth with an increase of 53.6%. The diversified industrials end-markets also showed an outstanding performance with an increase of 24.5%, driving the Group's revenue to achieve a satisfactory growth during the year. However, the impact of the Russia-Ukraine war on the production and sales of passenger cars in Europe and the decrease in revenue after converted Euro into Hong Kong dollars due to the depreciation of Euro, the economic slowdown caused by the repeated outbreaks of the pandemic in the PRC, coupled with the fire incident in Nantong plant lowered the automotive end-market revenue. In terms of operating performance, in addition to the one-off asset impairment provision charge caused by the fire incident in Nantong plant, operating loss was reported for the year due to suspension of most production lines after the fire incident in early June 2022, new Mexico plants in ramp-up and loss-making stage also brought certain challenges to the Group. Yet, the advantages of risk diversification can be demonstrated in the Group's global footprints. During the year, most of the plants in the PRC, Turkey and Germany achieved relatively satisfactory operating performance, resulting in a strong growth of 52.0% and 53.7% in the Group's profit attributable to shareholders of the Company and adjusted profit attributable to shareholders of the Company respectively in 2022.

Revenue by end-markets

The Group sells its products to worldwide customers in diversified end-markets. During the year, the aerospace, medical and energy end-markets recovered significantly and recorded a significant growth in revenue to HK$515.8 million, representing a year-on-year increase of 53.6%. The increase was mainly attributable to the recovery of the aerospace market due to the lifting of quarantine restrictions for international visitors on the entry to certain countries in Europe, Americas and Asia. Meanwhile, the Group has jointly developed a large number of new SKUs with its customers in the aerospace end-market over the past two years in order to assist the customers with supply chain shortages, which also contributed to the increase in sales revenue in 2022. The medical end-market benefited from the increasing demand for different medical equipment drove the growth of sales revenue. Higher global energy prices and the acquisition of Foshan Ameriforge in August 2022 also drove significant sales growth in the energy end-market.

In addition, the diversified industrials end-market showed an outstanding growth. During the year, revenue from this segment increased by 24.5% year-on-year to HK$2,139.4 million. Among which, revenue from high horsepower engine, recreational boats and vehicles, and agricultural equipment end-markets increased by 38.1%, 31.2% and 29.1% year-on-year to HK$463.1 million, HK$248.2 million and HK$353.3 million, respectively. High horsepower engine and agricultural equipment end-markets mainly benefited from the increased investment in infrastructure projects launched by the US government and other economic stimulus, which drove up local demand and led to strong customer demand for related products, and the increase in sales in recreational boats and vehicles end-market was mainly due to new product development and increased market share. On the other hand, the Group began to divide the sales of hydraulic components into different end-markets according to their final application products. During the year, most of the revenue related to hydraulic components has been included in the construction equipment end-market, and corresponding sales in 2021 have also been reclassified.

The overall weak demand in the European passenger car market and supply chain restrictions also affected the production and sales of passenger cars to a certain extent. Coupled with the impact caused by the slowdown of the PRC's economy and the fire incident in Nantong plant, which mainly serves the automotive market in Mainland China, the performance of the passenger car end-market was under pressure in 2022, with sales revenue decreasing by 17.0% as compared to last year. However, the commercial vehicle end-market benefited from the continuous growth of US and European market demand, which drove the sales revenue of commercial vehicles to increase by 18.7% during the year.

	Year ended 31 December					
	2022		2021		Increase/Decrease	
By End-market	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Diversified Industrials	**2,139.4**	**49.1%**	**1,718.6**	**45.5%**	**420.8**	**24.5%**
— Construction Equipment	646.9	14.9%	556.9	14.7%	90.0	16.2%
— High Horsepower Engine	463.1	10.6%	335.3	8.9%	127.8	38.1%
— Agricultural Equipment	353.3	8.1%	273.6	7.2%	79.7	29.1%
— Recreational Boat and Vehicle	248.2	5.7%	189.2	5.0%	59.0	31.2%
— Others	427.9	9.8%	363.6	9.6%	64.3	17.7%
Automotive	**1,699.5**	**39.0%**	**1,723.3**	**45.6%**	**(23.8)**	**-1.4%**
— Commercial Vehicle	896.0	20.5%	755.0	20.0%	141.0	18.7%
— Passenger Car	803.5	18.5%	968.3	25.6%	(164.8)	-17.0%
Aerospace, Medical & Energy	**515.8**	**11.9%**	**335.8**	**8.9%**	**180.0**	**53.6%**
— Aerospace	290.9	6.7%	190.4	5.0%	100.5	52.8%
— Medical	152.4	3.5%	115.4	3.1%	37.0	32.1%
— Energy	72.5	1.7%	30.0	0.8%	42.5	141.7%
Total	**4,354.7**	**100.0%**	**3,777.7**	**100.0%**	**577.0**	**15.3%**

In local currencies, the revenue of the Group increased by 19.3% as compared to the year ended 31 December 2021. This growth rate is higher than the reported revenue growth rate mainly due to the average exchange rates of Euro and RMB depreciated by 10.3% and 3.9% respectively against Hong Kong dollar for the year ended 31 December 2022 as compared to the same period last year.

Revenue by business segment

In terms of business segment, benefiting from the rapid increase in demand for high horsepower engines in the American and European markets and the relocation of a major customer in the PRC region in 2021, the sales base was relatively low in 2021, driving the sand casting business to achieve a strong growth of 41.0% in 2022. The investment casting business also grew by 22.1%, mainly benefiting from the increasing customer demand in the aerospace, medical and energy end-markets and some industrial end-markets, especially those in the Americas. In addition, the demand from customers of precision machining plants in Mexico and Turkey increased significantly, and the sales of both plants reached a record high in local currencies during the year. However, due to the significant depreciation of Euro by 10.3% during the year, the sales growth of Turkey plant reduced after translating into Hong Kong dollars. Meanwhile, the construction equipment customers in the PRC were affected by the economic slowdown, resulting in a decrease in the demand for the Group's precision machining products in the PRC, which reduced the overall segment revenue of the precision machining and others, with a year-on-year increase of only 11.0%. In 2022, the Group's revenue from the surface treatment business decreased by 49.5% year-on-year mainly due to the fire incident in Nantong plant.

	Year ended 31 December					
	2022		2021		Increase/Decrease	
By Business Segment	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Investment casting	1,899.6	43.6%	1,556.4	41.2%	343.2	22.1%
Precision machining & others	1,486.0	34.1%	1,338.6	35.4%	147.4	11.0%
Sand casting	815.6	18.8%	578.5	15.3%	237.1	41.0%
Surface treatment	153.5	3.5%	304.2	8.1%	(150.7)	-49.5%
Total	**4,354.7**	**100.0%**	**3,777.7**	**100.0%**	**577.0**	**15.3%**

Revenue by geographical market

In 2022, the Group's revenue growth in the Americas was the strongest, with an increase of 35.5%, while the revenue in Europe also recorded a 17.0% growth. In Asia, the revenue declined by 16.8% mainly due to the slowdown of the PRC's economy and the fire incident in Nantong plant.

	Year ended 31 December					
	2022		2021		Increase/Decrease	
By Geographical Market	***HK$ million***	***Proportion***	*HK$ million*	*Proportion*	*HK$ million*	*Change*
Americas	**2,123.0**	**48.8%**	**1,567.2**	**41.5%**	**555.8**	**35.5%**
— United States	1,957.7	45.0%	1,420.4	37.6%	537.3	37.8%
— Others	165.3	3.8%	146.8	3.9%	18.5	12.6%
Europe	**1,358.4**	**31.2%**	**1,161.0**	**30.7%**	**197.4**	**17.0%**
Asia	**873.3**	**20.0%**	**1,049.5**	**27.8%**	**(176.2)**	**-16.8%**
— PRC	753.3	17.3%	951.7	25.2%	(198.4)	-20.8%
— Others	120.0	2.7%	97.8	2.5%	22.2	22.7%
Total	**4,354.7**	**100.0%**	**3,777.7**	**100.0%**	**577.0**	**15.3%**

CORPORATE DEVELOPMENT AND STRATEGY

In the complex and dynamic business environment of 2022, Impro's strategy of "Global Footprint" and "Diversified End-markets" was the key to success. The Group was able to protect itself from geographic risks and effectively hedge against the cycles and volatility of different end-markets. It not only achieved considerable growth during the year, but also succeeded in seizing the market opportunities. We have completed two acquisitions in the aerospace and hydraulic end-markets respectively, in order to further promote the strategy of "Twin Growth Engine". With the commencement of production in the Mexico SLP campus, the Group has been actively improving its production footprint in Asia, Europe and the United States. The strategy of "Region for Region Manufacturing" and "Dual Source Production" can effectively reduce potential supply chain and tariff risks arising from geopolitics for customers, which would significantly shorten the supply chain time cycle and enhance operational efficiency.

Currently, the Group has 21 plants in the PRC, Germany, Turkey, Czech Republic and Mexico. Among them, the investment casting plant, the third plant in the Mexico SLP campus, has been officially commenced operation in November 2022. Together with the precision machining plant and sand casting plant which have commenced operation in 2021, the campus is increasingly crucial to the Group's global production capacity. The remaining aerospace component plant and surface treatment plant are also under construction and installation of equipment, which are expected to be put into production in 2023. The Group will continue to leverage on the unique geographical location of its Mexico plant to bring more valuable products and more convenient services to its customers and continue to expand its market share in North America.

In 2022, the world has gradually emerged from the haze of coronavirus disease, while the global economy is recovering at an accelerated pace. Among which, the aerospace industry is one of the end-markets with the fastest rebound. This coincides with the Group's forward-looking footprint in the aerospace and medical areas. In August 2022, the Group acquired Foshan Ameriforge which targets the aerospace and energy end-markets, in order to expand product portfolio and customer resources, consolidate the Group's position in the aerospace end-market, and strive to capture business opportunities in the energy end-market. As a result, the aerospace, medical and energy end-markets will continue to be the driving force for the Group's future performance to continue to grow.

The Group is committed to deploying diversified industrials end-market. Factors such as the current energy price rises in the world, food shortages, infrastructure policies of the US government and the Russia-Ukraine war will drive the growth of the high horsepower engine, agricultural equipment and construction equipment end-markets respectively. In October 2022, the Group acquired the hydraulic orbital motor business of Danfoss Jiangsu to further expand its hydraulic system business. With strong overseas customer relationships and global production bases of the Group, the hydraulic orbital motor business is expected to generate full synergy in terms of sales network, customer resources and supply chain management in the coming years.

The automotive end-market, especially commercial vehicles, will also be a key focus for the Group in the future. While overall demand in the passenger car market in Europe and the PRC was under pressure in 2022 due to the Russia-Ukraine war, macroeconomic factors and the electrification of passenger cars, demand in the Group's commercial vehicle market continued to grow. With the increasingly stringent requirements for emission reduction of commercial vehicles in different countries, coupled with the development of hydrogen energy commercial vehicles in the future, there will be ample market opportunities for the Group to further focus its resources on the development of the commercial vehicle end-market in order to reduce the impact of the electrification of passenger cars.

In addition, the Group will also continue to implement the strategy of "Twin Growth Engine" and focus on hydraulic system , aerospace and medical components, and will seek relevant companies and businesses that can create an integrated effect with the Group's business and are in line with its strategy, and expand in the way of acquisition in a timely manner to further strengthen its business chain. Meanwhile, the Group is keen to invest in additional plant and expand production capacity for new business opportunities to realise synergies and value across all business areas.

In June 2022, a serious fire broke out in a production building of the Group's surface treatment plant in Nantong, Jiangsu Province, the PRC. After the accident, the Group actively dealt with the aftermath with various stakeholders, including customers, suppliers, employees, and government authorities, and actively communicated with insurance companies about claims settlement and factory reconstruction. In late 2022, the Group has already received a small amount of partial insurance claim settlement of HK$13.3 million and remaining insurance settlement is estimated to be received within 2023, and the production building will gradually resume production in the second half of 2023. Meanwhile, the Group has identified all relevant safety hazards in all other Group factories and enhanced various production safety equipment and staff training.

The Group adheres to the Environment, Social and Governance (ESG) principles and actively bears social responsibilities while expanding its business in the end-markets. The Group insists in low carbon emissions and reduction of energy consumption during the manufacturing process and has recorded remarkable improvement in various key performance indices of environmental protection in 2022, including a year-on-year decrease of 21.8% in total energy consumption per unit revenue and a year-on-year decrease of 19.9% in greenhouse gas emission per unit revenue. Determination and efforts of the Group in improving environment, social and governance standards have been recognized by professional institutions. In February 2023, the Group was awarded the Bronze Medal by EcoVadis, a global reputable corporate social responsibility rating agency, and won the grand award of "Excellent ESG Enterprise of 2021–2022" by Hong Kong Economic Times in 2022. In addition, business performance, investment value and growth potential of the Group has been recognized by the market. During the year, the Group won "Most Valuable Industrial Manufacturing Company" at Sixth Golden Hong Kong Stocks Awards, "Outstanding Listed Companies Award 2022" from IFAPC and Metro Finance and the "Listed Company Awards of Excellence 2022" from Hong Kong Economic Journal, a major financial media in Hong Kong.

OUTLOOK

Looking forward to the future, the overall global economic environment, especially the European and American economies, is under considerable downward pressure. The macro-economy is still shrouded in geopolitical haze, high inflation rate, the US-China rivalry and the Russia-Ukraine war. The sustained supply chain tension will be a concern for the Group. Fortunately, the Group has been following the strategy of "Global Footprint" and "Diversified End-markets" with geographical distribution of business and diversification of end-markets, which effectively buffer the associated risks. Overall, the Group remains relatively optimistic about its long-term business prospects. As of February 28, 2023, the Group's total order on hand to be fulfilled in the next twelve months reached HK$3,980 million, representing a year-on-year increase of 6.2%. As most of the customers of the two acquisitions completed in second half of 2022 are located in the PRC, their order pattern is different to overseas customers and generally have a shorter order cycle. Nevertheless, management of the Company is confident that the Group will extract synergies from these acquisitions, and maintain a solid revenue growth in 2023.

As for end-market, the Group expects the performance of the aerospace end-market business to continue to grow strongly. Following the successive opening of borders around the world last year, the PRC, the world's second largest economy, has begun the new year with a relaxation of travel restriction, which means that the international aerospace market has officially embarked on the road to full recovery. In addition, the three-year epidemic has greatly reduced the number of competitors in the aerospace supply chain. As a result of these two factors, it is expected that aerospace end-market sales will continue to show a strong growth from 2023 to 2024. In the midst of the pandemic, the Group has actively planned a forward-looking footprint in the aerospace area with the establishment of the "Aerotek Business Unit", and successfully completed the acquisition of Foshan Ameriforge, a company with limited liability which focuses on high-precision, high-complexity and mission critical parts and assemblies for end-markets such as commercial aircrafts, so as to exert synergies with existing businesses in sales network, supply chain management and other aspects, and consolidate the Group's strengths in the aerospace end-market.

In terms of production, the Mexico SLP campus has further strengthened the global production footprint of the Group by achieving good profitability in 2022 with its first precision machining plant, which have been moved into the SLP campus and commenced operation in 2021; the sand casting plant, which commenced operation subsequently and recorded a larger loss in 2022, but the Group will endeavour to turn loss into profit or to significantly reduce its losses in 2023. The investment casting plant, which commenced operation in November 2022, is currently undergoing a production ramp-up period, and the Group will also endeavour to avoid losses or to record only an insignificant loss during the year. As for the remaining aerospace components and surface treatment plants, the Group is striving to officially start trial production and obtain aerospace system certification in 2023, which is expected to become the driving force for the Group's continued strong growth. In conclusion, the Mexico SLP campus plays an important role in the North American production base, which has successfully laid a solid foundation for the Group's global footprint.

In terms of profit, although the Mexico SLP campus business is still in the ramp-up stage which will lead to a greater depreciation costs, interest rate and forex fluctuations, etc. will inevitably put pressure on the profit margin of the Group; however, the Group's increasing sales scale, the gradual return to normal shipping costs in the second half of 2022 (which had previously remained high), and the additional revenue expected from two acquisitions last year have created more favorable revenue growth and broader profit margins for the Group's global operations.

Looking ahead, the Group will continue to capitalise on its unique strengths of "Global Footprint" and "Diversified End-markets" by leveraging its global manufacturing and sales network in Asia, Europe and the United States, and will actively expand into aerospace area and diversified industrials end-market and respond to the cycles and volatility of the global market with unique and superior resilience. Meanwhile, the Group will continue to expand its production capacity and implement the strategy of "Twin Growth Engine", as well as seek for suitable acquisition targets. The Group will continue to enhance its research and development capabilities and keep focusing on high-precision, high-complexity and mission critical components and hydraulic systems, in order to provide customers with high-quality, unique and globalized products and services, thereby continuously strengthening the Group's leading position in the industry and securing sustainable value growth for 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, 9 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

HK$ million	Year ended 31 December **2022**	2021	Change
Revenue	**4,354.7**	3,777.7	15.3%
Gross profit	**1,261.0**	1,022.4	23.3%
Gross profit margin	**29.0%**	27.1%	1.9%
Other revenue	**23.9**	34.4	-30.5%
Other net loss	**(24.6)**	(48.0)	-48.8%
Selling and distribution expenses	**(180.7)**	(187.4)	-3.6%
Administrative and other operating expenses	**(334.7)**	(328.4)	1.9%
Profit from operations	**744.9**	493.0	51.1%
Operating profit margin	**17.1%**	13.1%	4.0%
Net finance costs	**(55.9)**	(24.4)	129.1%
Profit before taxation	**689.0**	468.6	47.0%
Income tax	**(106.2)**	(82.8)	28.3%
Effective tax rate	**15.4%**	17.7%	-2.3%
Profit for the year	**582.8**	385.8	51.1%
Net profit margin	**13.4%**	10.2%	3.2%
Attributable to:			
Profit attributable to shareholders of the Company	**582.0**	382.8	52.0%
Non-controlling interest	**0.8**	3.0	-73.3%
	582.8	385.8	51.1%

HK$ million	Year ended 31 December **2022**	2021	Change
Adjusted profit attributable to shareholders of the Company[1]	**649.1**	422.2	53.7%
Earnings per share — Basic (HK cents)	**30.9**	20.3	52.2%
Adjusted basic earnings per share (HK cents)	**34.5**	22.4	54.0%
Dividend per share (HK cents)	**16.0**	10.1	58.4%
EBITDA[2]	**1,165.5**	910.0	28.1%
EBITDA margin	**26.8%**	24.1%	2.7%
Adjusted EBITDA[3]	**1,227.6**	940.9	30.5%
Adjusted EBITDA margin	**28.2%**	24.9%	3.3%
Net cash generated from operating activities	**837.5**	424.4	97.3%
Free cash inflow (outflow) from operations[4]	**169.0**	(606.3)	127.9%

HK$ million	**As at 31 December 2022**	As at 31 December 2021	Change
Cash and cash equivalents	**483.3**	579.0	-16.5%
Total debt	**2,205.9**	1,544.9	42.8%
Net debt (total debt less cash and cash equivalents)	**1,722.6**	965.9	78.3%
Total equity	**4,398.0**	4,379.4	0.4%
Market capitalization[5]	**4,183.7**	3,484.1	20.1%
Enterprise value[6]	**5,925.1**	4,473.3	32.5%

Key Financial Ratios		
Adjusted return on equity[7]	**14.9%**	10.1%
Enterprise value to adjusted EBITDA	**4.8**	4.8
Net debt to adjusted EBITDA	**1.4**	1.0
Net gearing ratio	**39.2%**	22.1%
Interest coverage[8]	**13.4**	18.5

Note:

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

	Year ended 31 December	
	2022	2021
	HK$' million	*HK$' million*
Profit for the year	**582.8**	385.8
Adjustments:		
— Impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident, net of tax and insurance claims received	**62.2**	–
— Gain on disposal of a Germany plant's land, property and machinery, net of tax	**(13.1)**	–
— Provision for staff severance and related costs in relation to the closure of a Germany manufacturing plant, net of tax	**–**	21.6
— Amortization and depreciation related to purchase price allocation, net of tax	**18.0**	17.8
Adjusted profit for the year	**649.9**	425.2
Less: Profit attributable to non-controlling interest	**(0.8)**	(3.0)
Adjusted profit attributable to shareholders of the Company	**649.1**	422.2

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 2022 and 2021.

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

	Year ended 31 December	
	2022	2021
	HK$' million	*HK$' million*
EBITDA	**1,165.5**	910.0
Adjustments:		
— Impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident, net of insurance claims received	**80.4**	–
— Net gain on disposal of a Germany plant's land, property and machinery	**(18.3)**	–
— Provision for staff severance and related costs in relation to the closure of a Germany manufacturing plant	**–**	30.9
Adjusted EBITDA	**1,227.6**	940.9

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$2.22 per share as of 31 December 2022).

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

7 Adjusted return on equity is calculated as adjusted profit attributable to shareholders of the Company divided by the average of total equity attributable to shareholders of the Company as of 31 December 2022 and 2021.

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 2022 increased by 15.3% to HK$4,354.7 million as compared to last year of HK$3,777.7 million. In local currencies, the Group's revenue increased by 19.3% year-on-year since EUR and RMB devaluated against Hong Kong Dollars by 10.3% and 3.9% respectively as compared to 2021.

Gross profit and gross profit margin

The Group's gross profit increased by HK$238.6 million, or 23.3% to HK$1,261.0 million for the year ended 31 December 2022 as compared to HK$1,022.4 million for the year ended 31 December 2021. The gross profit of investment casting has experienced a strong growth of HK$159.6 million, or 33.2% to HK$640.8 million, mainly due to strong aerospace & medical and diversified industrials sales attained in Americas and Europe region. The gross profit of the sand casting business also jumped HK$82.6 million, or 59.2% to HK$222.2 million due to strong sales growth to the high horsepower engine end market in the Americas and China region, but partly offset by the high start up costs in the Mexico new sand casting plant. The gross profit of precision machining plant also increased mildly by HK$49.8 million to HK$358.0 million thanks to the strong demand of commercial vehicle end-market products in each of Turkey and Mexico plants but partially offset by weak customer demand in China precision machining plant. Surface treatment business reported a 57.2% drop in gross profit to HK$40.0 million mainly a result of the fire incident in Nantong plant in early June 2022.

The Group's gross profit margin was 29.0% for the year ended 31 December 2022, compared with 27.1% in last year. The improvement in gross profit margin was mainly attributed by sales growth in investment casting, precision machining and sand casting, partially offset by the drop in sales of surface treatment due to the fire accident of Nantong plant in early June 2022.

Other revenue

During the year ended 31 December 2022, the Group's other revenue decreased by HK$10.5 million to HK$23.9 million (2021: HK$34.4 million). Other revenue mainly represented discretionary incentives from the local PRC government on our contribution in technology development, environment protection and contribution to local PRC economy.

Other net loss

The Group recorded other net loss of HK$24.6 million for the year ended 31 December 2022 (2021: HK$48.0 million). Other net loss mainly represented the impairment loss provision of property, plant and equipment & inventories as a result of Nantong fire incident net of insurance claims received of HK$80.4 million, gain on disposal of a Germany plant's land, property and machinery of HK$18.3 million and the net foreign exchange gain of HK$43.4 million arising mainly from the devaluation of RMB against Hong Kong Dollars. In 2021, the net loss mainly represented a provision of staff severance and related expenses of HK$30.9 million in relation to the closure of a Germany production plant and net exchange loss of HK$16.8 million.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK$6.7 million, or 3.6%, to HK$180.7 million for the year ended 31 December 2022 from as compared to HK$187.4 million for the year ended 31 December 2021. The decrease in selling and distribution expenses was mainly due to lower tariff expenses and ocean freight expenses but partially offset by increase in staff costs. Selling and distribution expenses to revenue ratio was 4.1% for the year (2021: 5.0%).

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$6.3 million, or 1.9%, to HK$334.7 million for the year ended 31 December 2022, as compared to HK$328.4 million in last year. The increase in administrative and other operating expenses were mainly due to increase for impairment loss on trade receivables, property and other taxes and general office expenses. Administrative and other operating expenses to revenue ratio was 7.7% for the year (2021: 8.7%).

Net finance costs

The Group's net finance costs increased by HK$31.5 million to HK$55.9 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in bank loans as a result of the two acquisitions, capital expenditures and net working capital increase during the year ended 31 December 2022, and also increase in market interest rates.

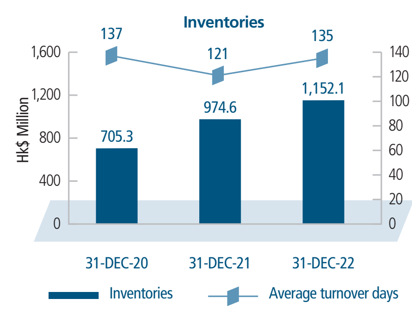
Income tax

The Group's income tax expenses increased to HK$106.2 million for the year ended 31 December 2022 from HK$82.8 million for the year ended 31 December 2021. A lower adjusted effective tax rate during the year ended 31 December 2022 was due to recognition of deferred tax asset of HK$8.6 million mainly in relation to the temporary difference of the tax and accounting base of property, plant and equipment of Mexico plants arising from the local inflation and recognition of deferred tax asset of HK$4.3 million in respect of previously unrecognised losses.

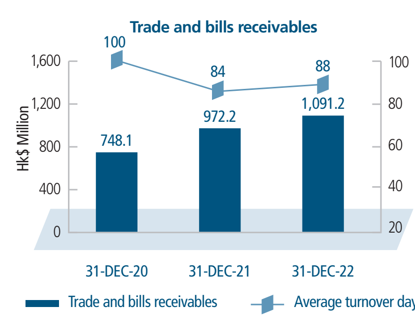
Working capital

	As at 31 December 2022 HK$ million	As at 31 December 2021 HK$ million
Inventories	**1,152.1**	974.6
Trade and bills receivables	**1,091.2**	972.2
Prepayments, deposits and other receivables	**219.2**	219.9
Trade payables	**(457.8)**	(349.3)
Other payables and accruals	**(303.1)**	(381.7)
Deferred income	**(129.4)**	(140.8)
Defined benefit retirement plans obligation	**(67.3)**	(65.2)
Total working capital	**1,504.9**	1,229.7

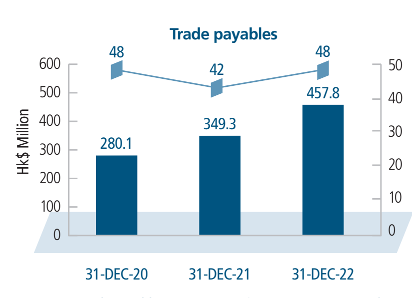
Inventories increased HK$177.5 million to HK$1,152.1 million as of 31 December 2022 (31 December 2021: HK$974.6 million) mainly due to the increase in raw materials and finished goods to cope with the increase in customers' demand during the year ended 31 December 2022. Inventory turnover days increased 14 days to 135 days as at 31 December 2022 from 121 days as at 31 December 2021 as the Group strategically increased the raw materials and finished goods holding to cope with higher demand from customers.



Trade and bills receivables increased HK$119.0 million to HK$1,091.2 million as of 31 December 2022 (31 December 2021: HK$972.2 million) mainly due to increase in revenue during the year ended 31 December 2022. Trade and bills receivables average turnover days increased from 84 days as at 31 December 2021 to 88 days as at 31 December 2022, mainly due to increase of overdue receivables in China. The management of the Group are 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 2022, current receivables and overdue balances of less than 30 days has maintained at 90.4% (As at 31 December 2021: 94.5%) of the balance of the gross trade and bills receivables.



Trade payables increased HK$108.5 million to HK$457.8 million as of 31 December 2022 (31 December 2021: HK$349.3 million). The increase was generally in line with the increase in the scope of operation. Trade payable average turnover days as at 31 December 2022 increased to 48 days as compared to 42 days as at 31 December 2021.



EBITDA and Net profit

The Group's EBITDA was HK$1,165.5 million, or EBITDA margin of 26.8% for the year ended 31 December 2022, as compared to HK$910.0 million, or EBITDA margin of 24.1% in last year. Profit attributable to shareholders of the Company was HK$582.0 million, as compared to a profit of HK$382.8 million from last year. Net profit margin for the year was 13.4%, as compared to 10.2% in last year.

Excluding the impact of impairment loss provision (net of insurance claims received) of property, plant and equipment & inventories as a result of Nantong fire incident and gain on disposal of a Germany plant's land, property and machinery, the Group's adjusted EBITDA margin was 28.2%, which was 3.3% higher than 24.9% attained in last year, and the adjusted profit attributable to shareholders of the Company was HK$649.1 million for the year ended 31 December 2022, an increase of 53.7% as compared to HK$422.2 million from last year. Adjusted net profit margin was 14.9% for the year ended 31 December 2022, as compared to 11.3% attained in last year.

Financial resources and liquidity

As at 31 December 2022, the total assets of the Group increased by 10.2% to HK$7,763.0 million and total equity increased by 0.4% to HK$4,398.0 million as compared to the amount as at 31 December 2021. The increase of total assets was mainly attributable to the two acquisitions, new Mexico plants related capital expenditures and increase in working capital during the year ended 31 December 2022. The Group's current ratio as at 31 December 2022 was 1.63, as compared to 1.74 as at 31 December 2021. The change in current ratio was primarily due to the increase in short-term bank loans of the Group to support increase in capital expenditure and working capital during the year ended 31 December 2022.

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 cost. The Group had operating cash inflow of HK$837.5 million for the year ended 31 December 2022. The funds generated from operations and cash on hand are adequate to fund the liquidity and capital requirements.

The Group will continue to adopt prudent financial management and treasury policy. To the extent that there is any surplus cash which has yet to be used for the designated purposes, the Group would 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	
	2022	2021
	HK$ million	*HK$ million*
Cash generated from/(used in):		
Operating activities	**837.5**	424.4
Investing activities	**(1,213.5)**	(1,030.6)
Financing activities	**319.8**	579.9
Net movement in cash	**(56.2)**	(26.3)

Cash flows generated from operating activities was HK$837.5 million, an increase of HK$413.1 million compared to HK$424.4 million in last year. The increase in cash flows from operating activities was mainly due to increase in profits.

Cash flows used in investing activities was HK$1,213.5 million, an increase of HK$182.9 million compared to HK$1,030.6 million in last year. The major items on investment activities were payment for capital expenditure which included purchases of machinery, equipment, tooling and infrastructure of HK$634.9 million and acquisitions of hydraulic orbital motor business from Danfoss Jiangsu and Foshan Ameriforge of HK$545.0 million.

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

	Year ended 31 December	
	2022	2021
	HK$ million	*HK$ million*
Payment of property, plant & equipment	**(634.9)**	(962.0)
Proceeds from disposal of property, plant and equipment	**38.0**	2.3
Payment for deferred expenses	**(76.1)**	(74.9)
Acquisition of businesses, net of cash acquired	**(545.0)**	–
Interest received	**4.5**	4.0
Net cash used in investing activities	**(1,213.5)**	(1,030.6)

Cash flows generated from financing activities was HK$319.8 million, compared to cash flows from financing activities of HK$579.9 million in last year. The change was mainly due to the two acquisitions in current year which required an increase in bank borrowing to fund the investing activities.

The table below sets forth the cash generated from financing activities for the years indicated:

	Year ended 31 December	
	2022	2021
	HK$ million	*HK$ million*
Proceeds from bank loans	**1,626.6**	1,212.8
Repayment of bank loans	**(950.7)**	(491.5)
Payment of lease rentals	**(9.4)**	(25.7)
Interest paid	**(59.6)**	(27.2)
Proceeds from exercise of share options	**3.0**	–
Dividend paid	**(286.3)**	(88.5)
Dividend paid to non-controlling interest	**(3.8)**	–
Net cash generated from financing activities	**319.8**	579.9

Indebtedness

As at 31 December 2022, the Group's total borrowings was HK$2,205.9 million, an increase of HK$661.0 million from HK$1,544.9 million as at 31 December 2021.

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

	As at 31 December 2022	As at 31 December 2021
	HK$ million	*HK$ million*
Current bank loans	**942.4**	786.7
Non-current bank loans	**1,244.2**	742.2
Current lease liabilities	**14.4**	9.4
Non-current lease liabilities	**4.9**	6.6
Total borrowings	**2,205.9**	1,544.9

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

The Group's net gearing ratio as at 31 December 2022 was 39.2% (as at 31 December 2021: 22.1%). This ratio is based on total borrowings less cash and cash equivalents divided by total equity. The gearing level has increased mainly due to two acquisitions, increase in net working capital and capital expenditures to finance the plants construction at Mexico during the year ended 31 December 2022.

Capital Expenditures and Commitments

The management of the Group exercised careful control over capital expenditures. Capital expenditures of the Group amounted HK$599.7 million for the year ended 31 December 2022 which was primarily used in the production capacity expansion in our PRC plants, as well as the infrastructure and machinery spending for the new plants in Mexico. Among which, the Group incurred HK$353.1 million for the development 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 31 December 2022 amounted to HK$232.9 million, which were mainly related to plants construction and acquisition of machinery.

Pledge of Assets

No property, plant and equipment of the Group were pledged as security for bank borrowings/ facilities as at 31 December 2022 (as at 31 December 2021: nil).

Contingent Liabilities

No material contingent liability exists as at 31 December 2022.

Material Acquisitions and Disposal of Subsidiaries

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2022.

On 1 June 2022, Impro Aerotek Limited, a wholly-owned subsidiary of the Group conditionally agreed to acquire the entire equity interest of Foshan Ameriforge Manufacturing Technology Co., Ltd. ("**Foshan Ameriforge**") from Ameriforge International S.A.R.L., a company incorporated in Luxembourg and an independent third party. Foshan Ameriforge is mainly engaged in the manufacturing, testing, assembling and special processing of high-precision and high-complexity, mission critical parts and assemblies for end markets such as commercial aircrafts, industrial gas turbines and oil and gas equipment in the PRC. The cash consideration of the acquisition was RMB56.6 million (equivalent to HK$65.8 million). The acquisition was completed on 15 August 2022 and since then Foshan Ameriforge became a subsidiary of the Group.

On 5 July 2022, Impro Fluidtek Limited, a wholly-owned subsidiary of the Group conditionally agreed to acquire hydraulic orbital motor business ("**FTZJ+**") of Danfoss Power Solution (Jiangsu) Co., Ltd., a wholly foreign-owned enterprise established in the PRC and an independent third party. FTZJ+ is mainly engaged in the research and development, manufacture, distribution and sale of hydraulic orbital motors in the PRC. The cash consideration of the acquisition was RMB442.2 million (equivalent to HK$483.6 million). The acquisition was completed on 31 October 2022 and since then FTZJ+ became a consolidated business of the Group.

Both aerospace and hydraulic end markets are the Group's long-term strategic development directions. Upon completion of the acquisitions, the Group and the acquired businesses will generate comprehensive synergies in sales network, customer resources, supply chain management and global footprint. For details of the above acquisitions, please refer to the announcements of the Company as published on the website of The Hong Kong Stock Exchange.

On 7 April 2022, the Group also announced the acquisition of Northman Co., Ltd., a limited liability company established under the law of the PRC for a consideration of RMB552.3 million from Best Fair Assets Management Limited, an exempted company incorporated under the laws of the British Virgin Islands with limited liability and an independent third party. Subsequently, the acquisition was mutually terminated by the Group and the seller on 9 August 2022.

Significant Investments

As at 31 December 2022, the Group did not have any significant investment plans.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

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

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

To reduce the exposure to foreign currency exchange risk, the Group's management monitors the foreign exchange rates from time to time and may adjust the currency mix of the loan portfolio in a proportion that resembled the respective underlying revenue currency proportion with a view to reducing the impact of exchange rate fluctuations. As at 31 December 2022, the borrowings of the Group were denominated in HKD, USD, RMB and Euro, while the cash and cash equivalents were mainly denominated in USD, Euro and RMB in which, HK$670.4 million of borrowings were at fixed interest rates.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2022, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2022, the Group had about 7,762 full-time employees of whom 5,985 were based in Mainland China and 1,777 were based in Turkey, Germany, Mexico, Hong Kong, United states and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$1,115.3 million for the year ended 31 December 2022 (2021: HK$1,091.0 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.

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company completed the Global Offering on 28 June 2019 with the Over-allotment Option (as defined in the Prospectus) exercised in full on 19 July 2019. The amount of the net proceeds received from the Global Offering (including the full exercise of the Over-allotment Option) after deducting underwriting fees and commissions and other expenses in connection with the Global Offering was HK$1,031.5 million (the "**Actual Amount of the Net Proceeds**"), which is more than the estimated amount set forth in the Prospectus. Thus, the Company applied the Actual Amount of the Net Proceeds on the use of proceeds plan as stated in the Prospectus for the period from 1 July 2019 to 31 December 2022 on a pro rata basis except for repayment of interest-bearing bank borrowings. The Actual Amount of the Net Proceeds have been utilized in full as at 31 December 2022.

The table below sets forth the actual use of the Net Proceeds from the Global Offering up to the year ended 31 December 2022:

Business strategies as set out in the Prospectus	**Intended timeframe for the use of the Net Proceeds**	**Planned Proceeds as stated in Prospectus**		**Actual amount of the Net Proceeds**		**Utilized amount of the Actual Amount of Net Proceeds as at 31 December 2022**	**Unutilized amount of the Actual Amount of Net Proceeds as at 31 December 2022**
		HK$ million	*Proportion*	*HK$ million*	*Proportion*	*HK$ million*	*HK$ million*
Capital expenditures for production capacity expansion	By 2020	361.3	40.0%	437.9	42.5%	437.9	–
Repayment of interest-bearing bank borrowings	By 2020	271.1	30.0%	271.1	26.3%	271.1	–
Acquisition of business	By 2022	180.7	20.0%	219.0	21.2%	219.0	–
Working capital and general corporate purpose	By 2020	90.4	10.0%	103.5	10.0%	103.5	–
		903.5	100.0%	1,031.5	100.0%	1,031.5	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	3	**4,354,711**	3,777,701
Cost of sales		**(3,093,757)**	(2,755,264)
Gross profit		**1,260,954**	1,022,437
Other revenue	4(a)	**23,895**	34,404
Other net loss	4(b)	**(24,579)**	(47,999)
Selling and distribution expenses		**(180,687)**	(187,445)
Administrative and other operating expenses		**(334,694)**	(328,336)
Profit from operations		**744,889**	493,061
Net finance costs	5(a)	**(55,884)**	(24,426)
Profit before taxation	5	**689,005**	468,635
Income tax	6	**(106,225)**	(82,798)
Profit for the year		**582,780**	385,837
Attributable to:			
Equity shareholders of the Company		**581,945**	382,780
Non-controlling interest		**835**	3,057
Profit for the year		**582,780**	385,837
Earnings per share	8		
Basic *(HK cents)*		**30.9**	20.3
Diluted *(HK cents)*		**30.9**	20.3

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**582,780**	385,837
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 retirement plans obligation (net of tax of HK$1,141,000 (2021: HK$716,000))	**(10,050)**	(984)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong Dollars ("**HK$**")	**(270,819)**	43,374
Other comprehensive income for the year	**(280,869)**	42,390
Total comprehensive income for the year	**301,911**	428,227
Attributable to:		
Equity shareholders of the Company	**302,678**	424,655
Non-controlling interest	**(767)**	3,572
Total comprehensive income for the year	**301,911**	428,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**4,050,192**	3,970,056
Prepayments for purchase of property, plant and equipment		**46,836**	54,498
Intangible assets		**248,394**	43,726
Goodwill	*9*	**230,821**	–
Deferred expenses		**163,268**	178,446
Other financial asset		**1,576**	1,722
Deferred tax assets		**69,255**	46,011
		4,810,342	4,294,459
Current assets			
Inventories		**1,152,071**	974,635
Trade and bills receivables	*10*	**1,091,216**	972,239
Prepayments, deposits and other receivables		**219,175**	219,889
Taxation recoverable		**6,854**	2,103
Cash and cash equivalents		**483,286**	578,964
		2,952,602	2,747,830
Current liabilities			
Bank loans		**942,407**	786,656
Lease liabilities		**14,368**	9,384
Trade payables	*11*	**457,784**	349,310
Other payables and accruals		**303,089**	381,650
Taxation payable		**94,482**	56,134
		1,812,130	1,583,134
Net current assets		**1,140,472**	1,164,696
Total assets less current liabilities		**5,950,814**	5,459,155

	2022	2021
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans	**1,244,237**	742,249
Lease liabilities	**4,895**	6,565
Deferred income	**129,430**	140,772
Defined benefit retirement plans obligation	**67,329**	65,188
Deferred tax liabilities	**106,926**	125,000
	1,552,817	1,079,774
NET ASSETS	**4,397,997**	4,379,381
CAPITAL AND RESERVES		
Share capital	**188,456**	188,330
Reserves	**4,190,801**	4,167,719
Total equity attributable to equity shareholders of the Company	**4,379,257**	4,356,049
Non-controlling interest	**18,740**	23,332
TOTAL EQUITY	**4,397,997**	4,379,381

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 dollars, unless otherwise stated and have approved for issue by the Board of Directors on 9 March 2023. 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 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 2022 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 Group has applied the following amendments to IFRSs issued by IASB to these financial statements for the current accounting period:

- Amendments to IFRS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IFRS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

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	
	2022	2021
	HK$'000	*HK$'000*
Investment casting	**1,899,549**	1,556,457
Precision machining and others	**1,486,023**	1,338,597
Sand casting	**815,638**	578,479
Surface treatment	**153,501**	304,168
	4,354,711	3,777,701

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

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

(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 individually mentioned 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 2022 and 2021 is set out below:

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

	Year ended 31 December 2021				
	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	1,556,457	1,338,597	578,479	304,168	3,777,701
Inter-segment revenue	–	–	–	34,139	34,139
Reportable segment revenue	1,556,457	1,338,597	578,479	338,307	3,811,840
Gross profit from external customers	481,250	308,183	139,609	93,395	1,022,437
Inter-segment gross profit	–	–	–	13,083	13,083
Reportable segment gross profit	481,250	308,183	139,609	106,478	1,035,520
Depreciation and amortization	160,436	129,448	76,668	50,417	416,969
Reportable segment profit	452,115	255,958	138,899	119,734	966,706
Reportable segment assets	2,356,384	2,117,062	1,398,011	551,066	6,422,523

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

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**4,383,303**	3,811,840
Elimination of inter-segment revenue	**(28,592)**	(34,139)
Consolidated revenue	**4,354,711**	3,777,701
Gross profit		
Reportable segment gross profit	**1,269,607**	1,035,520
Elimination of inter-segment gross profit	**(8,653)**	(13,083)
Consolidated gross profit	**1,260,954**	1,022,437
Profit		
Reportable segment profit	**1,201,395**	966,706
Elimination of inter-segment profit	**(8,653)**	(13,083)
Reportable segment profit derived from the Group's external customers	**1,192,742**	953,623
Other revenue	**23,895**	34,404
Other net loss	**(24,579)**	(47,999)
Unallocated head office and corporate expenses	**(26,555)**	(29,998)
Consolidated profit before interest, taxes, depreciation and amortization	**1,165,504**	910,030
Net finance costs	**(55,884)**	(24,426)
Depreciation and amortization	**(420,615)**	(416,969)
Consolidated profit before taxation	**689,005**	468,635

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**7,215,750**	6,422,523
Elimination of inter-segment receivables	**(13,916)**	(13,230)
	7,201,834	6,409,293
Other financial asset	**1,576**	1,722
Deferred tax assets	**69,255**	46,011
Cash and cash equivalents	**483,286**	578,964
Unallocated head office and corporate assets	**6,993**	6,299
Consolidated total assets	**7,762,944**	7,042,289

(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	
	2022	2021
	HK$'000	*HK$'000*
Americas		
— United States of America ("**United States**")	**1,957,676**	1,420,399
— Others	**165,271**	146,759
Europe	**1,358,353**	1,161,050
Asia		
— The People's Republic of China ("**PRC**")	**753,327**	951,729
— Others	**120,084**	97,764
	4,354,711	3,777,701

Specified non-current assets

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
United States	**7,776**	8,294
Europe	**505,561**	544,688
The PRC	**2,846,543**	2,681,532
Mexico	**1,381,207**	1,013,934
	4,741,087	4,248,448

4 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Rental income	**596**	593
Government grants (Note)	**19,369**	28,932
Others	**3,930**	4,879
	23,895	34,404

Note:

During the year ended 31 December 2022, the Group received unconditional government subsidies of HK$11,651,000 (2021: HK$18,038,000) as encouragement of their contribution in technology development, environment protection and contribution in local economy.

During the year ended 31 December 2022, the Group received conditional government subsidies of HK$8,322,000 (2021: HK$96,347,000) as subsidies for acquisition of property, plant, equipment and leasehold land and investment incentive of the Group's PRC subsidiaries. During the year ended 31 December 2022, the Group recognized such subsidies of HK$7,718,000 (2021: HK$10,894,000) 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 loss

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Net exchange gain/(loss)	**43,435**	(16,825)
Net gain/(loss) on disposal of property, plant and equipment	**17,466**	(765)
Severance costs	**–**	(30,929)
Loss on a fire incident (Note)	**(93,697)**	–
Insurance claims (Note)	**13,340**	–
Others	**(5,123)**	520
	(24,579)	(47,999)

Note:

On 4 June 2022, there was a fire incident in one of the production buildings of Nantong Shenhai Science and Industrial Technology Co., Ltd. ("**Shenhai Industrial**"), a PRC subsidiary of the Group. A loss of HK$93,697,000 was recorded in the consolidated statement of profit or loss during the year ended 31 December 2022 mainly for the impairment of property, plant and equipment of HK$79,862,000 and scrapped inventories of HK$10,700,000 due to the fire incident. Shenhai Industrial received partial insurance claims of RMB11,500,000 (equivalent to approximately HK$13,340,000) in respect of loss on the fire accident during the year ended 31 December 2022.

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Interest income	**(4,413)**	(3,904)
Interest expenses on bank loans	**59,618**	27,179
Interest expenses on lease liabilities	**679**	1,151
	60,297	28,330
Net finance costs	**55,884**	24,426

(b) Staff costs

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**1,027,276**	1,008,643
Contributions to defined contribution retirement plans	**80,554**	72,164
Expenses recognized in respect of defined benefit retirement plans obligation	**3,689**	3,415
Equity settled share-based payment expenses	**3,757**	6,772
	1,115,266	1,090,994

(c) Other items

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Cost of inventories recognized as expenses*	**3,093,757**	2,755,264
Depreciation charges		
— owned property, plant and equipment	**302,158**	296,693
— right-of-use assets	**25,905**	31,106
Amortization of intangible assets	**16,394**	14,485
Amortization of deferred expenses	**76,158**	74,685
Research and development expenses	**135,059**	136,321
Provision of impairment loss on trade receivables	**7,901**	810
Provision for write-down of inventories	**8,123**	9,965
Auditors' remuneration		
— Audit services	**6,334**	5,002
— Non-audit services	**1,567**	933

* 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

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2021: 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	
	2022	2021
	HK$'000	*HK$'000*
Current tax		
Mainland China Corporate Income Tax		
Provision for the year	**40,122**	50,129
Bonus deduction of research and development	**(20,322)**	(30,655)
(Over)/under-provision in respect of prior years	**(679)**	1,560
	19,121	21,034
Hong Kong Profits Tax		
Provision for the year	**61,817**	16,590
Under/(over)-provision in respect of prior years	**650**	(970)
	62,467	15,620
Tax jurisdictions outside Mainland China and Hong Kong		
Provision for the year	**52,511**	42,428
	134,099	79,082
Deferred tax		
Origination and reversal of temporary differences	**(27,874)**	3,716
Total income tax expense	**106,225**	82,798

7 DIVIDENDS

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

	At 31 December	
	2022	2021
	HK$'000	*HK$'000*
First interim dividend declared and paid of HK$0.08 per share (2021: HK$0.029 per share)	**150,664**	54,616
Second interim dividend declared after the end of the reporting period of HK$0.08 per share (2021: HK$0.072 per share)	**150,765**	135,597
	301,429	190,213

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	
	2022	2021
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$nil per share (2021: HK$0.018 per share)	**–**	33,899
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.072 per share (2021: HK$nil per share)	**135,597**	–
	135,597	33,899

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$581,945,000 (2021: HK$382,780,000) and the weighted average of 1,883,383,993 shares (2021: 1,883,295,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January	**1,883,295,000**	1,883,295,000
Effect of exercise of share options	**88,993**	–
Weighted average number of ordinary shares at 31 December	**1,883,383,993**	1,883,295,000

(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$581,945,000 (2021: profit of HK$382,780,000) and the weighted average number of ordinary shares of 1,883,383,993 shares (2021: 1,883,295,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022	2021
Weighted average number of ordinary shares at 31 December	**1,883,383,993**	1,883,295,000
Effect of deemed issue of shares under the Company's share option scheme	**–**	–
Weighted average number of ordinary shares (diluted) at 31 December	**1,883,383,993**	1,883,295,000

For the years ended 31 December 2022 and 2021, the Company has the outstanding share options under the Company's share option scheme as the dilutive potential ordinary shares. The dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share was the same as basic earnings per share of the years ended 31 December 2022 and 2021.

9 GOODWILL

	HK$'000
Cost:	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Acquisition of business	225,506
Exchange adjustment	5,315
At 31 December 2022	230,821
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	–
Carrying amount:	
At 31 December 2022	230,821
At 31 December 2021	–

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	
	2022	2021
	HK$'000	*HK$'000*
Hydraulic orbital motor business	**230,821**	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate of 3.0% as at 31 December 2022 which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 14.1% as at 31 December 2022. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Key assumptions used for the value in use calculations are the discount rate and budgeted earnings before interest, tax ("**EBIT**") growth rate in the five-year projection period. The discount rate was a pre-tax measure based on the risk-free rate in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. Budgeted EBIT growth rate in the five-year projection period was estimated taking into account of revenue, gross margins and operating expenses based on past performance and its expectation for market development.

The estimated recoverable amount of the CGU exceeded its carrying amount for hydraulic orbital motor business as at 31 December 2022 by approximately HK$31,601,000.

Management performed sensitivity analysis of two key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these two 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)

	2022	2021
Hydraulic orbital motor business		
Increase in discount rate	**+1.1%**	Not applicable
Decrease in budgeted EBIT growth rate (average of next five years)	**-2.3%**	Not applicable

The Group performs annual impairment test on goodwill at the end of the reporting year. The recoverable amount of the CGU based on the value-in-use calculations is higher than its carrying amount as at 31 December 2022.

10 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**1,050,511**	894,714
Bills receivable	**57,560**	89,081
	1,108,071	983,795
Less: loss allowance	**(16,855)**	(11,556)
	1,091,216	972,239

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	
	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**488,554**	745,331
1 to 3 months	**420,562**	197,914
Over 3 months but within 12 months	**182,100**	28,994
	1,091,216	972,239

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

11 TRADE PAYABLES

	At 31 December	
	2022	2021
	HK$'000	*HK$'000*
Trade payables	**457,784**	349,310

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	
	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**237,929**	197,506
1 to 3 months	**197,456**	138,598
Over 3 months	**22,399**	13,206
	457,784	349,310

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 and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 of the Rules Governing to the Listing of the Stock Exchange (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 2022, except for the deviation from code provision A.2.1 of the CG Code as described below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 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 2022.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND

Second interim dividend

22 March 2023	Ex-dividend date
23 March 2023, 4:30 pm	Latest time to lodge share transfer
24–28 March 2023 (both days inclusive)	Closure of Register of Members
28 March 2023	Record date
6 April 2023	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 Thursday, 23 March 2023.

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, 18 May 2023. 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 Monday, 15 May 2023 to Thursday, 18 May 2023, 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 Friday, 12 May 2023.

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 during the year ended 31 December 2022.

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

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

The Company's consolidated financial statements for the year ended 31 December 2022 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 2022 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 2022 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, 9 March 2023

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