國際精密集團

IPE Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 929)

2024
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Zeng Jing
Mr. Chen Kuangguo

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Zeng Guangsheng
Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

LEGAL ADVISERS TO THE COMPANY

King & Wood Mallesons

WEBSITE

http://www.ipegroup.com

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THAILAND

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Forvis Mazars CPA Limited
(Formerly known as "Mazars CPA Limited")
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

CORPORATE PROFILE

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

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

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

INTRODUCTION OF MAJOR SUBSIDIARIES

GUANGZHOU BASE

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

1. The automotive products of Guangzhou Xin Hao Precision Technology Company Limited, a High and New-Technology Enterprise, are exported to overseas. With world-class ultra-high precision products and stable quality control, it have established long-term and good cooperation with Global 500 companies.

2. The products of Guangzhou Huitong Hydraulic Company Limited and its subordinate research institute are supplied to world-leading hydraulic manufacturers such as Bosch, Danfoss, Hengli, and Zoomlion. It has become the most important base in China for manufacturing high-end threaded cartridge valves substituting imported products.

CHANGSHU BASE

1. Established in September 2014, Changshu Keyu Greystone Machining Company Limited is located the No.1 of the Factory Area, No. 6 Dongzhou Road, the Changshu Economic Technology Development Zone, Jiangsu Province, and is engaged in the production, R&D and sales of automotive parts, hydraulic machinery and their components.

2. Established in September 2014, Jiangsu De Shang Precision Machine Tools Co.Ltd.* (江蘇德上精密機床有限公司) is located at the Factory No.3 of the Factory Area, No. 6 Dongzhou Road, the Changshu Economic Technology Development Zone, Jiangsu Province, and is mainly engaged in the production and sales of intelligent machinery and equipment, multi-functional lathes and machining centers.

JIANGSU KEMAI HYDRAULIC CONTROL SYSTEM COMPANY LIMITED

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

YUTAI HYDRAULIC TECHNOLOGY (SHANGHAI) COMPANY LIMITED

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

CORPORATE MILESTONE

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

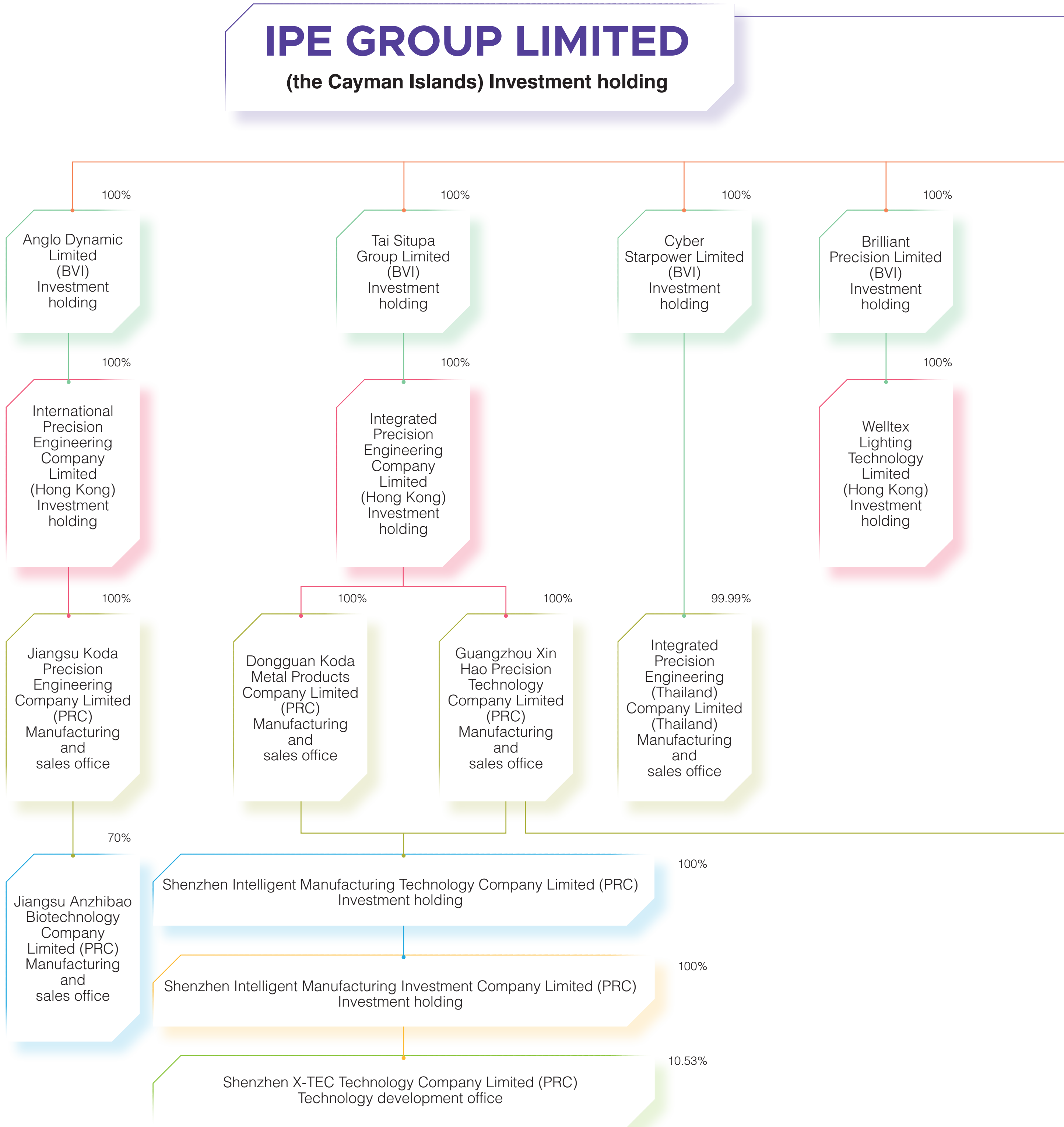
- Signed a strategic framework cooperation agreement with Huanan Industrial Technology Research Institute of Zhejiang University
- Guangzhou Xin Hao was accredited with High and New-Technology Enterprise
- Changshu Keyu Greystone and Dongguan Koda were accredited IATF16949 certification — automotive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

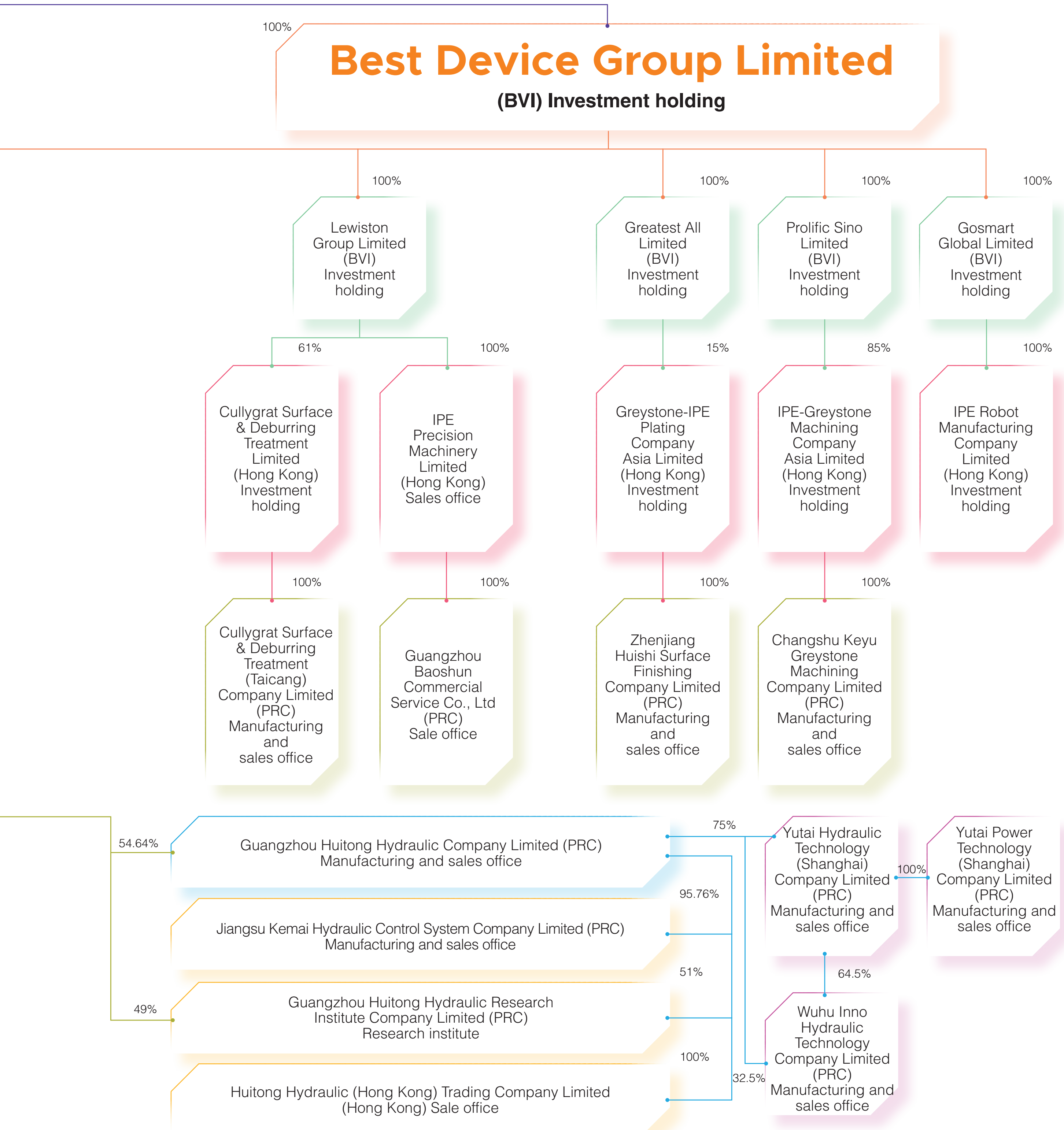
Before 2017

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

CORPORATE STRUCTURE

Principal subsidiaries and associate of the Company as at 31 December 2024




100%
Best Device Group Limited
(BVI) Investment holding
100%
Lewiston Group Limited (BVI) Investment holding
100%
Greatest All Limited (BVI) Investment holding
100%
Prolific Sino Limited (BVI) Investment holding
100%
Gosmart Global Limited (BVI) Investment holding
61%
Cullygrat Surface & Deburring Treatment Limited (Hong Kong) Investment holding
100%
IPE Precision Machinery Limited (Hong Kong) Sales office
15%
Greystone-IPE Plating Company Asia Limited (Hong Kong) Investment holding
85%
IPE-Greystone Machining Company Asia Limited (Hong Kong) Investment holding
100%
IPE Robot Manufacturing Company Limited (Hong Kong) Investment holding
100%
Cullygrat Surface & Deburring Treatment (Taicang) Company Limited (PRC) Manufacturing and sales office
100%
Guangzhou Baoshun Commercial Service Co., Ltd (PRC) Sale office
100%
Zhenjiang Huishi Surface Finishing Company Limited (PRC) Manufacturing and sales office
100%
Changshu Keyu Greystone Machining Company Limited (PRC) Manufacturing and sales office
54.64%
Guangzhou Huitong Hydraulic Company Limited (PRC) Manufacturing and sales office
75%
Yutai Hydraulic Technology (Shanghai) Company Limited (PRC) Manufacturing and sales office
100%
Yutai Power Technology (Shanghai) Company Limited (PRC) Manufacturing and sales office
95.76%
Jiangsu Kemai Hydraulic Control System Company Limited (PRC) Manufacturing and sales office
51%
64.5%
49%
Guangzhou Huitong Hydraulic Research Institute Company Limited (PRC) Research institute
100%
Huitong Hydraulic (Hong Kong) Trading Company Limited (Hong Kong) Sale office
32.5%
Wuhu Inno Hydraulic Technology Company Limited (PRC) Manufacturing and sales office

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December									
	2024		2023		2022		2021		2020	
	HK$'000	**%**	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
REVENUE	**1,010,006**	**100%**	898,733	100%	962,566	100%	1,030,808	100%	793,731	100%
Cost of sales	**(724,301)**	**72%**	(675,909)	75%	(688,379)	72%	(763,995)	74%	(611,264)	77%
Gross profit	**285,705**	**28%**	222,824	25%	274,187	28%	266,813	26%	182,467	23%
Other income	**40,641**	**4%**	62,015	7%	45,606	5%	62,791	6%	34,008	4%
Changes in fair value of investment properties	**(732)**	**0%**	(2,557)	0%	4,775	0%	10,847	1%	1,428	0%
Change in fair value of financial assets measured at fair value through profit or loss ("FVPL")	**14,473**	**1%**	(1,159)	0%	(2,589)	0%	499	0%	–	–
Reversal of (Provision for) impairment losses related to receivables	**4,924**	**0%**	(4,501)	0%	(538)	0%	1,870	0%	170	0%
Distribution costs	**(37,536)**	**4%**	(28,947)	3%	(26,178)	2%	(25,618)	2%	(19,384)	2%
Administrative expenses and other expenses	**(172,164)**	**17%**	(148,209)	17%	(181,285)	19%	(146,974)	14%	(116,701)	15%
Research and development costs	**(80,641)**	**8%**	(57,696)	7%	(68,966)	7%	(47,153)	5%	(30,140)	4%
Finance costs	**(15,572)**	**2%**	(11,239)	1%	(6,832)	1%	(4,677)	0%	(7,499)	1%
Share of loss of an associate	**(631)**	**0%**	(1,158)	0%	(822)	0%	(815)	0%	(2,146)	0%
PROFIT BEFORE TAXATION	**38,467**	**4%**	29,373	4%	37,358	4%	117,583	12%	42,203	5%
Income tax	**(8,356)**	**1%**	(13,728)	2%	(9,617)	1%	(26,837)	3%	(13,164)	1%
PROFIT FOR THE YEAR	**30,111**	**3%**	15,645	2%	27,741	3%	90,746	9%	29,039	4%
Attributable to:										
Equity shareholders of the Company	**10,597**	**1%**	5,667	1%	8,693	1%	81,432	8%	27,410	4%
Non-controlling interests	**19,514**	**2%**	9,978	1%	19,048	2%	9,314	1%	1,629	0%
	30,111	**3%**	15,645	2%	27,741	3%	90,746	9%	29,039	4%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**1,114,755**	1,082,453	874,540	930,542	818,507
Total current assets	**1,355,562**	1,464,374	1,461,945	1,525,820	1,460,450
Total current liabilities	**484,051**	427,357	249,084	362,508	227,565
Net current assets	**871,511**	1,037,017	1,212,861	1,163,312	1,232,885
Total non-current liabilities	**38,348**	155,280	175,315	32,554	171,098
Total equity	**1,947,918**	1,964,190	1,912,086	2,061,300	1,880,294

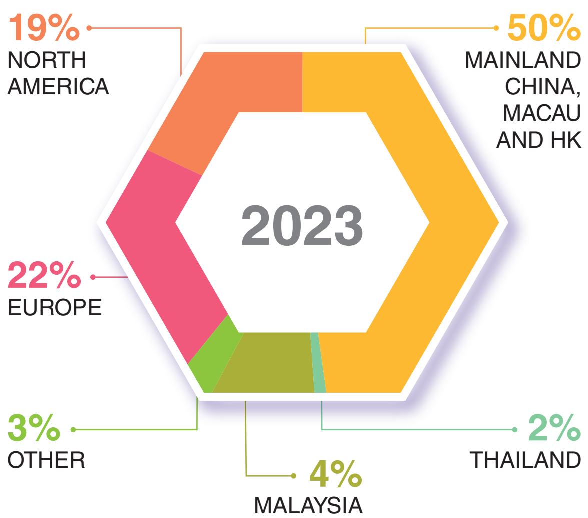
RATIO ANALYSIS

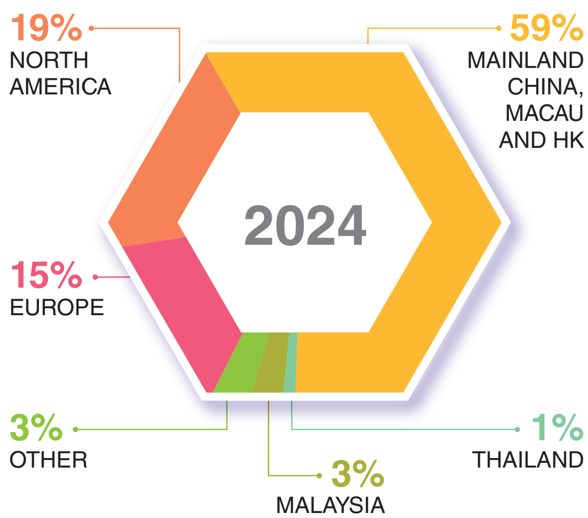
	Year ended 31 December				
	2024	2023	2022	2021	2020
KEY STATISTICS:					
Current ratio	**2.80**	3.43	5.87	4.21	6.42
Net cash to equity ratio	**0.11**	0.25	0.28	0.34	0.38
Gearing ratio#	**15.0%**	9.4%	10.2%	7.3%	10.9%
Dividend payout ratio	**N/A**	N/A	N/A	N/A	N/A
Gross profit margin	**28.3%**	24.8%	28.5%	25.9%	23.0%
EBITDA margin	**14.8%**	15.9%	14.4%	20.8%	16.9%
Net profit margin	**3.0%**	1.7%	2.9%	8.8%	4.0%
Average days of debtor turnover	**112 days**	127 days	115 days	97 days	115 days
Average days of inventory turnover	**164 days**	177 days	170 days	128 days	138 days
PER SHARE DATA:					
Net asset value per share (HK$)	**1.85**	1.87	1.82	1.96	1.79
Dividend per share	**Nil**	Nil	Nil	Nil	Nil
Earnings per share – basic	**HK1.01 cents**	HK0.54 cents	HK0.83 cents	HK7.7 cents	HK2.6 cents
Earnings per share – diluted	**HK1.01 cents**	HK0.54 cents	HK0.83 cents	HK7.7 cents	HK2.6 cents

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

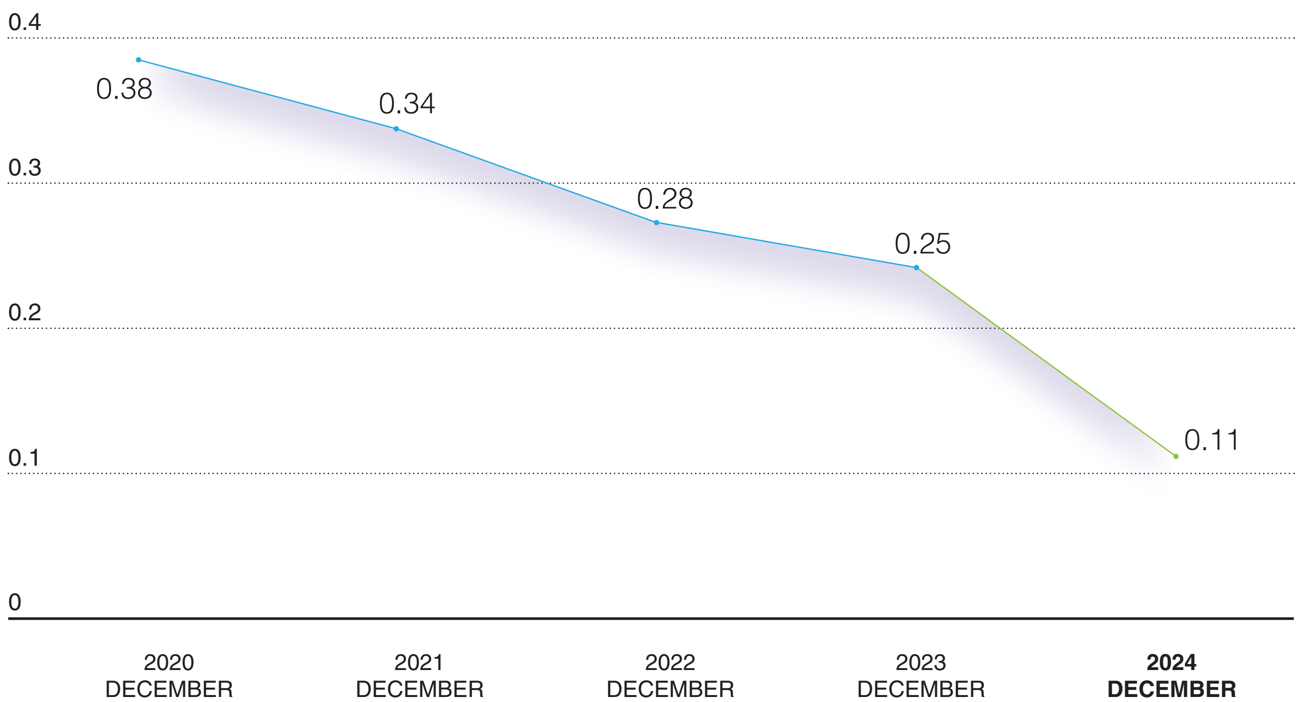
FINANCIAL HIGHLIGHTS

GEOGRAPHICAL COMBINATION

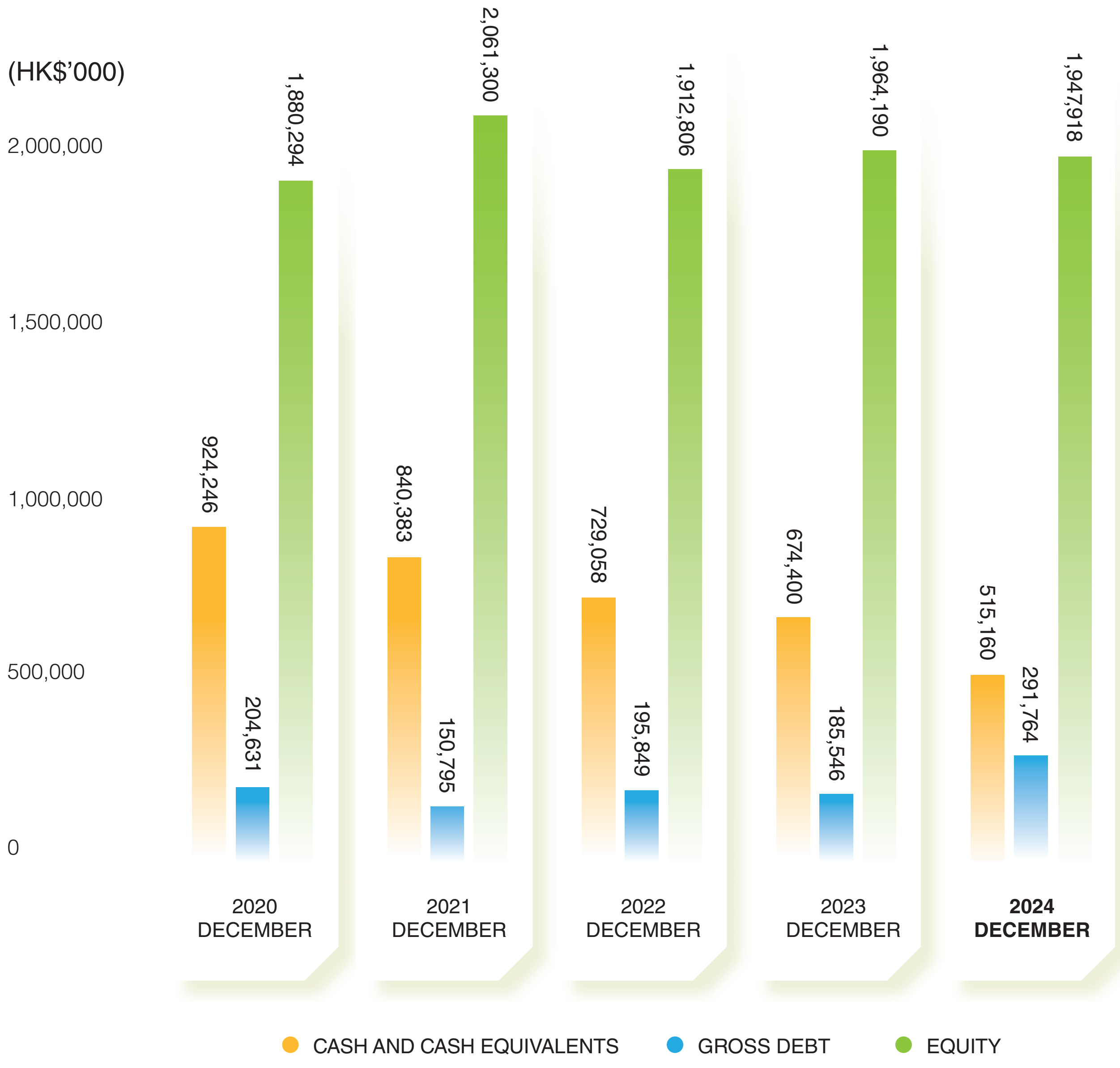




NET CASH TO EQUITY RATIO



CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I present to shareholders the annual results of IPE Group Limited ("IPE" or the "Company") and its subsidiaries (collectively referred to as the "Group" or "IPE Group") for the year ended 31 December 2024.

BUSINESS REVIEW

Challenged by the weak global economy and sluggish consumption, businesses with considerable reliance on Original Equipment Manufacturer ("OEM") have been strongly affected. Besides, at the end of last year, Donald Trump was successfully elected as President of the United States, resulting in the intensified trade war between the US and China. In response to the changing market conditions, the adverse factors of global economic weakness, the Group further improved its overall competitiveness through a combination of external mergers and acquisitions and internal research and development, further enhancing its product system. Total revenue for the year was HK$1,010,006,000, representing an increase of HK$111,273,000 or 12.4% as compared to the corresponding period of last year, with performance varying for specific industries.

Firstly, in respect of hydraulic equipment components segment, since the domestic real estate market remained sluggish, resulting in a saturation of demand for domestic excavator manufacturers. There is still a significant inventory of excavators, and order demand remains at a low to medium level. As at the end of 2024, our order demand was delayed due to the prudent inventory management of the relevant customers. However, driven by the successful acquisition of a hydraulics business at the end of 2023 and launch of new products, the hydraulic equipment components segment recorded a revenue of HK$485,904,000 for the year with a double-digit growth year-on-year, accounting for the largest proportion of the total revenue of the Group.

Increasing market penetration of new energy vehicles resulted in declining orders in traditional automotive projects. The Group continue to optimize production management and enhance efficiency of automotive parts business through production line automation to support development of new project. The automotive components business recorded revenue of HK$444,860,000 for the year, maintaining flat as compared to the corresponding period of last year.

As for the electronic equipment components business, the Group recorded a revenue of HK$27,244,000 for the year with a year-on-year decrease of HK$8,948,000 or 24.7%, due to the influence of overall contraction of the market, coupled with the Group's commitment to business transformation and upgrading for long-term development by investing more resources in the development of new products and new markets.

In addition, among the new business segments developed by the Group, the production and sale of high-end CNC lathes was also inevitably affected by the weak global economy, with the revenue recorded by the segment decreased from HK$28,334,000 last year to HK$24,797,000 in 2024, representing a year-on-year decrease of HK$3,537,000.

The following table shows the sales of each of the Group's businesses.

	2024		2023		Change	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Major business categories						
Hydraulic equipment components	**485,904**	**48.1**	364,444	40.5	+121,460	+33.3
Automotive components	**444,860**	**44.0**	445,241	49.5	-381	–
Electronic equipment components	**27,244**	**2.7**	36,192	4.0	-8,948	-24.7
CNC lathes	**24,797**	**2.5**	28,334	3.2	-3,537	-12.5
Others	**27,201**	**2.7**	24,522	2.8	+2,679	+10.9
	1,010,006	**100.0**	898,733	100.0	+111,273	+12.4

Driven by various factors such as mergers and acquisitions, efficiency enhancement and cost control, our gross profit for the year was HK$285,705,000, an increase of HK$62,881,000 or 28.2% as compared to HK$222,824,000 for the corresponding year. Our gross profit margin rose from 24.8% to 28.3%, an increase of 3.5%. This reflects the effectiveness of the transformation and upgrading efforts. Meanwhile, the Group's basic elements of sales, gross profit and gross profit margin have rebounded to the normal levels in recent years.

In order to realize long-term development, Jiangsu Kemai, a subsidiary of the Company, completed second phase of factory expansion in Yangzhou in 2024, which has been put into operation during the year. As for the Factory No. 6 of Changshu site, the construction was completed as scheduled during the year, and the certificate of property ownership has been issued upon relevant inspection and acceptance, enabling the site well prepared for future production capacity enhancement.

In terms of research and development ("R&D"), after the successful acquisition of Yutai Hydraulic and Wuhu Inno ("Previous Year's Acquisition") at the end of last year, both companies both possess R&D capabilities, focusing on independent products and continuously innovating new products to maintain competitiveness and profitability. In meeting customer demands, R&D expenses have therefore increased. While developing new products, patent applications are ongoing, with 88 patents applied for and 71 intellectual property rights obtained by the Group in recent years, which secures promotion of new products development.

The Group's net profit after tax for the year ended 31 December 2024 amounted to HK$30,111,000, representing an increase of HK$14,466,000 or 92.5% as compared to HK$15,645,000 for the previous year, and the earnings per share also increased by 87.0% from HK0.54 cents to HK1.01 cents per share.

PROSPECT

At the time of preparing this report, the US government has released a new round of tariffs policies on goods imported from China, and after multiple rounds of tariff increases, it is believed that various aspects of the economy and market will undergo different degrees of changes. The responsive measures of China have raised the uncertainty of the overall environment. In the face of fast-changing environment and vicious competition within China, only continuous optimization can maintain the sustainable development of the Group. It has to focus on new products, technologies and processes to build competitive advantages, while seeking new growth points through optimizing cost structures and expanding new businesses. In addition, continuous efforts shall be made to improve the quality of products, so as to support the overall development.

After the recent acquisitions, the Group needs to increase the proportion of sales of its self-owned products and focus on development of new products to enhance profitability of the Group. In addition, given the capricious policies issued by the US government, the current tariff level bring huge pressure to the Group. Besides, the domestic market is still in depression, the company needs to actively develop overseas markets, particularly exploring the ASEAN and Eastern European markets. At the same time, while maintaining existing customers, we will develop new customers and promote high value-added markets, such as the intelligent agricultural machinery market and the supporting business for the export market of construction machinery.

The Group will continue to propel cost reduction and efficiency enhancement by promoting lean projects, optimizing operational efficiency, further reinforcing management of raw materials and other consumables, focusing on quality control and reducing the scrap rate, adopting multiple channels to lower costs and prices. Through the research institute as a platform for R&D communication, the Company join hands with its subsidiaries to design and develop new products, driving breakthrough in new products. Enhancing the synergy effect along the upstream and downstream supply chain, providing one-stop integrated solutions and related products and services.

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

Mr. Zeng Guangsheng
Chairman

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2024, affected by a series of factors including the unstable relationship between China and the United States, the Russian-Ukrainian war and the political conflict in the Middle East, the economic atmosphere was weak with market competition increasingly intensified. Challenged by such a less-desirable environment, the Group continued to optimize its production capacity, enlarge its investment in automation projects, and push forward the efforts in cost reduction, quality enhancement and efficiency improvement. Meanwhile, it made proactive exploration in new businesses, markets and customers, and endeavored to push forward the transformation and upgrading of its business structure. In 2024, the Group recorded a revenue of HK$1,010,006,000 for the year, representing an increase of HK$111,273,000 or 12.4% as compared to HK$898,733,000 for the same period of last year. The growth was mainly driven by the completion of the Previous Year's Acquisition, by the end of 2023, which contributed a significant increase in revenue of the hydraulic equipment components business.

Driven by the increase in sales, coupled with the Group's upgrading and transformation, the development of downstream supply chain and other factors, it recorded a gross profit of HK$285,705,000 in 2024, compared to HK$222,824,000 for the same period of last year, representing an increase of HK$62,881,000 or 28.2%, while the gross profit margin for 2024 was 28.3%, up 3.5% year-on-year.

Other income for the year was HK$40,641,000, a year-on-year decrease of HK$21,374,000. Such decrease was mainly due to the decrease in idle funds since the Group invested in acquisitions and fixed assets, which resulted in the interest income merely amounting to HK$8,433,000 in 2024, representing a year-on-year decrease of HK$5,902,000. In addition, other income for the previous year included some exceptional or one-off gains, such as insurance claims, proceeds from disposal of fixed assets and foreign exchange gains with an aggregate amount of approximately HK$17,615,000.

As a result of the Previous Year's Acquisition, the development of downstream supply chain, and the promotion of business transformation, the selling and distribution expenses of the Group amounted to HK$37,536,000 in 2024, representing an increase of HK$8,589,000 as compared to HK$28,947,000 last year, mainly due to the Previous Year's Acquisition. In addition, with the increasing proportion of domestic sales, the exhibition and related expenses incurred for the relevant sales activities also increased, resulting in the increase in selling and distribution expenses.

The administrative expenses and other expenses amounted to HK$172,164,000 in 2024 as compared to HK$148,209,000 for the corresponding period of last year, with an increase of HK$23,955,000 or 16.2%. The increase was primarily due to the Previous Year's Acquisition, the administrative expenses and other expenses amounted to HK$14,034,000; Additionally, the intangible assets arising from the acquisitions were amortized during the year with an amortized amount of approximately HK$8,400,000. In respect of the expenses associated with the original operations, the Group reduced its reliance on traditional energy sources through the construction of photovoltaic systems, energy storage systems and centralized gas supply and cooling measures to reduce energy consumption and costs, save electricity and enhance the efficiency of the relevant power consuming equipment, and the electricity and energy expenses decreased by HK$1,257,000 as compared to the corresponding period of last year.

In 2024, the finance costs was HK$15,572,000, representing a year-on-year increase of HK$4,333,000, which was mainly due to the increase in interest expenses associated with the bank loans used for the Previous Year's Acquisition with a loan amount of RMB117,700,000.

Due to the successful completion of the Previous Year's Acquisition, the profit attributable to owners of the Group for the year ended 31 December 2024 amounted to HK$10,597,000, representing an year-on-year increase of HK$4,930,000 as compared to the profit attributable to owners of the Group of HK$5,667,000 last year.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2024, the Group had total bank borrowings of HK$285,783,000 (31 December 2023: HK$166,355,000), which were secured by pledged deposit, corporate guarantees given by the Company and certain of its subsidiaries, as well as equity interests and real estates of its subsidiary. The increase in loans was mainly due to the payment for Previous Year's Acquisition and the construction cost of a new plant. Specifically, the Group pledged deposits of HK$19,173,000 (31 December 2023: HK$20,000,000) to secure daily working capital and pledged deposits of HK$1,485,000 to secure letters of guarantee (31 December 2023: HK$2,099,000). The Group pledged the equity interest of a subsidiary to obtain funds for Previous Year's Acquisition and deposits of HK$14,075,000 (31 December 2023: Nil) have been restricted only for loan settlement purpose, and at last, the Company pledged the real estates in Jiangsu held by a subsidiary to obtain funds for the construction of a new plant.

Except for above pledges and restricted deposits, the Group had no charge on any of its assets for its banking facilities as at 31 December 2024.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

As at 31 December 2024, cash per share of the Group amounted to HK$0.52 as compared to HK$0.66 last year, based on the 1,052,254,135 ordinary shares in issue (31 December 2023: 1,052,254,135 ordinary shares). The net asset value per share for 2024 amounted to HK$1.85, representing a decrease of HK$0.02 or 1.0% as compared to HK$1.87 last year.

In the statement of cash flows, net cash inflow from operating activities amounted to HK$83,830,000 in 2024, representing a decrease of HK$63,680,000 as compared to net cash inflow from operating activities of HK$147,510,000 last year.

In terms of capital expenditures, in order to support long-term development, the Group completed the construction and delivery of plant, including the expansion of the second phase of Factory expansion by Jiangsu Kemai and the Factory No.6 of Jiangsu Koda Precision Engineering Company Limited. The investments in various property, plant and equipment assets was HK$164,617,000, which represent an increase of HK$61,688,000 in such kind of investments as compared with previous year. At the beginning of 2024, it completed payment of the remaining consideration for Previous Year's Acquisition, resulting in a net cash outflow of HK$168,065,000 (2023: HK$54,735,000). As a result, net cash outflow from investing activities amounted to HK$315,481,000 in 2024, representing an increase of HK$180,501,000 as compared to net cash outflow from investing activities of HK$134,980,000 last year.

In terms of financing activities, the interest paid for the year amounted to HK$14,086,000 in 2024, as compared to the interest paid of HK$9,985,000 last year. The increase was due to the increase in the bank loans granted for the Previous Year's Acquisition during the year. The aggregate amount of new loans was HK$175,360,000 mainly attributable to the bank loans granted for the above acquisition. In addition, repayment of bank loans amounted to HK$64,795,000 in 2024, as compared to HK$40,000,000 last year, mainly due to the repayment of matured bank borrowings. The net cash inflow from financing activities amounted to HK$87,635,000 in 2024, as compared to net cash outflow of HK$50,981,000 last year.

The Group's net cash (cash and bank balances less total bank and other loan) was HK$223,396,000 as at 31 December 2024, representing a decrease of HK$265,458,000 as compared to HK$488,854,000 as at 31 December 2023.

CURRENCY EXPOSURE AND MANAGEMENT

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

HUMAN RESOURCES

The Company has always been concerned about the health, development and other issues of its employees to secure their daily needs and enhance their sense of belonging. During the year, there were no major accidents, fines or complaints, and the Company provided a safe production environment. In addition, during the year, the Guangzhou production base carried out large-scale firefighting emergency drills in conjunction with firefighting, safety inspection, public security, health and other authorities, as well as the neighbouring enterprises, to improve the employees' capabilities of emergency rescue and escape. Before the arrival of New Year's Day and the Spring Festival, the Company launched operation safety training and conducted a safety inspection for the entire plant to rectify any potential safety hazards and to safeguard the lives and safety of our employees.

Also, the Company has delivered a satisfying performance in localization of the talent ladder construction under the strategic policies for long-term development, to protect the Company's development needs. By utilization of industry exhibitions, industry associations or research institutes and other communication platforms, the Company is able to recruit talents in different fields through multiple channels. The number of talents with master or doctoral qualification has reached 33.

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

The Company continued to improve its automated production model and adopted advanced multi-functional production equipment to reduce the need for basic personnel. As at 31 December 2024, the Company had a total of 2,173 employees (including the staff of the two subsidiaries acquired at the end of last year), representing an increase of 108 employees as compared to 2,065 employees as at 31 December 2023.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zeng Guangsheng, aged 58, is the Chairman of the Board, the Chief Executive Officer, an executive director, the chairman of both of the executive committee and nomination committee and a member of both of the remuneration committee and the environmental, social and governance committee of the Company. He joined the Group in 2016. Mr. Zeng obtained a doctorate degree in economics from Nankai University (南開大學) in 2004.

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

Mr. Ng Hoi Ping, (former name: Wu Kai Ping), aged 56, is an executive director and a member of the executive committee of the Company. He joined the Group in 2016 and is responsible for the overall financial management of the Group. Mr. Ng obtained a master's degree in economics from Nankai University (南開大學) in 1996 and a master's degree in business administration from McMaster University in 2003. He is currently the general manager of Baoan Technology Company Limited (寶安科技有限公司).

Non-executive Directors

Ms. Zeng Jing, aged 50, is a non-executive director of the Company. She joined the Group in June 2017. Ms. Zeng currently is the financial controller of China Baoan Group Assets Management Co., Ltd. (中國寶安集團資產管理有限公司). Ms. Zeng has served senior position in a subsidiary of China Baoan Group Co., Ltd. (中國寶安集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000009 and the controlling shareholder of the Company) and Mayinglong Pharmaceutical Group Co., Ltd. (馬應龍藥業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600993). She has over 25 years of experience in accounting and financial management.

Mr. Chen Kuangguo, aged 40, is a non-executive director of the Company. He joined the Group in June 2019 and China Baoan Group Co., Ltd (中國寶安集團股份有限公司), the controlling shareholder of the Company and listed on the Shenzhen Stock Exchange (stock code: 000009) ("China Baoan", together with its subsidiaries, the "Baoan Group") in July 2006. Mr. Chen has been a director of Mayinglong Pharmaceutical Group Co., Ltd. (馬應龍藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600993), since May 2019, and an executive deputy general manager of the financial investment department of China Baoan. Mr. Chen served an executive director of the thirteenth session of the board of directors of China Baoan during the period between June 2016 and June 2019.

Independent Non-executive Directors

Mr. Yang Rusheng, aged 57, is an independent non-executive director and a member of each of the remuneration committee, nomination committee and environmental, social and governance committee of the Company and has been appointed as the chairman of the audit committee of the Company since October 2018. He joined the Group in June 2017. Mr. Yang holds a master's degree in economics from Jinan University (暨南大學). He has over 30 years of experience in finance, audit and tax. Mr. Yang is a Certified Public Accountant and Certified Tax Agent in the People's Republic of China and is currently a partner of Jonten Certified Public Accountants (中天運會計師事務所), legal representative of Shenzhen Ruihua Tax Agent Co., Ltd (深圳市瑞華稅務師事務所有限公司) and independent director of Lufax Holding Ltd (陸金所控股有限公司) since July 2020 (a company listed on the New York Stock Exchange, stock symbol: LU and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 6623). Mr. Yang has been a director of Guangdong Institute of Certified Public Accountants (廣東省註冊會計師協會) since June 2015. From November 2016 to March 2021, he was a president of Institute of Shenzhen Certified Public Accountants (深圳註冊會計師協會). Prior to that, he was a partner of Rui Hua Certified Public Accountants (瑞華會計師事務所), Wanlong Asia CPA Co., Ltd. (萬隆亞洲會計師事務所) and Crowe Horwath China Certified Public Accountants Co., Ltd. (國富浩華會計師事務所). Mr. Yang had previously been a committee member of Shenzhen Certified Public Accountants Ethic Committee (深圳市註冊會計師協會道德委員會) and Shenzhen Finance Bureau Certified Public Accountants and Responsibility Judge Committee (深圳市財政局註冊會計師責任鑒定委員會), an executive director of the China Certified Tax Agents Association (深圳市註冊稅務師協會), and a director of Shenzhen Certified Tax Agents Association (中國註冊稅務師協會). From October 2018 to October 2024, Mr. Yang was appointed as an independent director of Guo Fu Life Insurance Co., Ltd. (國富人壽保險股份有限公司) and a director of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2018. From October 2010 to January 2017, Mr. Yang was an independent non-executive director of China Tangshang Holdings Limited (formerly known as Culture Landmark Investment Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 674) and from December 2016 to July 2017, he was appointed as an independent non-executive director of Kantone Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code 1059); from December 2014 to December 2020, Mr. Yang was an independent director of Shenzhen Qianhai Webank (深圳前海微眾銀行股份有限公司) and independent director of Ping An Bank Co. Ltd. (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001) from February 2017 to November 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Chun Yue, Anthony, aged 42, is an independent non-executive director and a member of both the audit committee and nomination committee of the Company. Mr. Cheung has been appointed as the chairman of the remuneration committee of the Company since October 2018 and the chairman of the environmental, social and governance ("ESG") committee since November 2019. He joined the Group in June 2017. Mr. Cheung has served as an independent non-executive director of China Shineway Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2877) from January 2019 to October 2021, and as an independent non-executive director of Forward Fashion (International) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2528) from December 2019 to July 2022.

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

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

Mr. Zhu Jianbiao, aged 51, has been an independent non-executive director of the Company and a member of each of the Board's Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee since 14 November 2022. Mr. Zhu was appointed as a non-executive director, the vice chairman of the board and the chairman of the strategic development committee and member of the executive committee of China Shandong Hi-Speed Financial Group., Ltd. on 28 July 2021, was re-designated as an executive director on 6 May 2022; and was appointed as the chief executive officer of the China Shandong Hi-Speed Financial Group., Ltd. on 28 June 2023 (Formerly known as "Shandong Hi-Speed Holdings Group Limited") (a company listed on the Main Board of the Stock Exchange, stock code: 412). Mr. Zhu has been an independent non-executive director of Beijing Energy International Holding Co., Ltd (北京能源國際控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 686) since June 2021. Mr. Zhu has been an executive director of Shangdong Hi-Speed New Energy Group Limited (a company listed on the Main Board of the Stock Exchange and a subsidiary of the company, stock code:1250) since May 2022. Mr. Zhu serves as an executive director and co-chairman of VNET Group,Inc. (a company listed on Nasdaq Stock Market, an associate of the company, stock code: VNET) since January 2024.

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

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

SENIOR MANAGEMENT

Mr. Lau Siu Chung, aged 60, is the Chief Operating Officer and Vice President of Marketing of the Group. Mr. Lau joined the Group in 1997 and was an executive director of the Company from June 2009 to November 2018. He is responsible for the planning and implementation of sales strategies and in charge of the sales and marketing activities of the Group. Mr. Lau has over 26 years of experience in marketing and sales of precision components and industrial equipment.

Mr. Zhang Shilin, aged 42, is the Deputy General Manager of the Group. Mr. Zhang jointed the Group in 2019. He holds a doctor's degree in economics from Sun Yat-sen University and is an adjunct advisor in finance, South China Normal University. From 2008 to 2019, He served as an officer, section chief, assistant general manager and deputy general manager at the headquarters of Guangzhou Rural Commercial Bank, Guangzhou branch of Industrial Bank, headquarters of Guangzhou Bank and Guangzhou branch of Minsheng Bank, respectively.

Mr. Zhao Chuncheng, aged 44, is the Deputy General Manager of the Group. Mr. Zhao joined the Group in 2021, mainly responsible for the Group's lean implementation. He has 20 years of experience in the manufacturing industry.

Mr. Chen Yize, aged 44, is the Chief Technology Officer of the Group. He joined the Group in 2023. He holds a master's degree in engineering from Zhejiang University. From 2009 to 2013, he was the deputy general manager of Beijing Haizhuolijin Hydraulic Technology Co. Ltd.. From 2013 to 2023, he successively served as the deputy general manager and general manager of Jiangsu Kemai Hydraulic System Co. Ltd.

COMPANY SECRETARY

Mr. Tam Yiu Chung, aged 54, is the Chief Financial Officer and Company Secretary of the Company. He joined the Group in 2007. He holds a master's degree in professional accounting and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Director(s)") of the Company presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

THE BOARD

Responsibilities and Delegation

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

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

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

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

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

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

THE BOARD (Continued)

Board Composition

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

Board of Directors

Executive Directors
- Mr. Zeng Guangsheng *(Chairman of the Board and Chief Executive Officer)*
- Mr. Ng Hoi Ping

Non-executive Directors
- Ms. Zeng Jing
- Mr. Chen Kuangguo

Independent Non-executive Directors
- Mr. Yang Rusheng
- Mr. Cheung Chun Yue, Anthony
- Mr. Zhu Jianbiao

Executive Committee
- Mr. Zeng Guangsheng *(Chairman)*
- Mr. Ng Hoi Ping

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

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

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

Environmental, Social and Governance Committee
- Mr. Cheung Chun Yue, Anthony *(Chairman)*
- Mr. Zeng Guangsheng
- Mr. Yang Rusheng
- Mr. Zhu Jianbiao

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

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

THE BOARD (Continued)

Board Composition (Continued)

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules of having at least three independent non-executive directors (representing at least one-third of the Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

Chairman and Chief Executive Officer

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

The code provision C.1.6 of the CG Code stipulates that independent non-executive director and other non-executive director should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chen Kuangguo, a non-executive Director and Mr. Zhu Jianbiao, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 10 May 2024 due to other engagement.

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

Executive Directors

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

THE BOARD (Continued)

Non-executive Directors

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

Independent Non-executive Directors

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

Re-election of Directors

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

Pursuant to article 87 of the Articles of Association, Mr. Ng Hoi Ping, Mr. Yang Rusheng and Mr. Zhu Jianbiao shall retire by rotation and, being eligible, offer themselves for re-election at the 2025 annual general meeting.

The Board and the Nomination Committee of the Company recommended the re-appointment of these retiring directors standing for re-election at the 2025 annual general meeting. The Company's circular contains detailed information of such retiring directors for re-election pursuant to the requirements of the Listing Rules will be published in due course.

Induction and Training and Continuing Professional Development of Directors

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

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

During the year ended 31 December 2024, all Directors attended the anti-corruption training. The Company also provides training sessions to the middle managers to help them to perform their role. Training programs were implemented for all employees to develop the required competencies, and more broadly, the elements supporting a sound culture. Proper training (including integrity training) for the management and the employees likely to be exposed to risks of bribery and corruption, money laundering and financing of terrorism or non-compliance under the Prevention of Bribery Ordinance, and how they recognize and deal with them.

THE BOARD (Continued)

Induction and Training and Continuing Professional Development of Directors (Continued)

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2024 is as follows:

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

Notes:

A. Attending training sessions organized by the Company or professional organizations

B. Perusing news updates and publications pertaining to the roles, functions and duties of a director

Corporate Culture and Strategy

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

1. Working closely with customers to promote mature scientific and technological achievements into the market through the wide application of high-precision technology in various industrial fields, thereby improving quality of our life.

2. Continuing to introduce international advanced machinery and technology, continue to carry out technological innovation, process innovation, market innovation and management innovation, and adhere to keeping pace with the times to ensure sustained growth of competitive advantage.

3. Developing our business quickly and steadily, achieve economies of scale, and improve profitability.

4. Continuing to promote research and development projects and become a solution provider for the pain points and difficulties in the industry. In addition to fulfilling our vision, the Company, with the mission of "Better Precision, Better Future", has established our policy of progressing together with the times, creating value together with customers and developing together with employees.

THE BOARD (Continued)

Corporate Culture and Strategy (Continued)

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

Core Values	
People	**Innovation**
People-oriented, sincere and united, dedicated, and forge ahead.	Innovation is the first driving force for development, and IPE's pace of innovation will never stop.
Environmental protection	**Market orientation**
Cherish resources, save energy and reduce consumption, and reduce waste.	The business is market-oriented and the operation is customer-centric.
Quality policies	**Strategic objectives and operation philosophies**
– Accumulate any improvement to achieve perfect quality. – Perseverance in service and excellence in quality. – Technology reflects our wisdom, and quality reflects our dignity.	Be committed to becoming a one-stop supplier of internationally advanced precision manufacturing services and process solutions with the operation philosophy of "technology leads intelligent manufacturing, technology changes life".

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all directors and all of them have confirmed that they had complied with the Own Code and Model Code throughout the year ended 31 December 2024.

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

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

THE BOARD (Continued)

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. During the year ended 31 December 2024, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Own Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;

(d) to develop and review the Company's corporate governance policies and practices, make recommendations and report on related issues to the Board; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Independence

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

(i) at least one-third of Board members are independent non-executive Directors;

(ii) independent non-executive Directors possess professional knowledge and broad experience;

(iii) no independent non-executive Director has served our Company for more than nine years;

(iv) no independent non-executive Director holds more than six listed company directorships to ensure each of them has adequate time to make contributions to the Board;

(v) every independent non-executive Director has made an annual confirmation of his independence to our Company; and

(vi) our Board, each of its Board committees or every Director is able to seek professional advice in appropriate circumstances at our Company's expenses.

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

THE BOARD (Continued)

Attendance Records of Directors and Committee Members

Board Meetings

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

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

The attendance records of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2024 are set out in the table below:

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

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

BOARD COMMITTEES

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

Executive Committee

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

Remuneration Committee

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

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

During the year ended 31 December 2024, the Remuneration Committee performed the following major tasks:

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

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

Pursuant to the code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2024 is set out below:

Remuneration	Number of individuals
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	2

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2024 are set out in note 7 to the consolidated financial statements in this annual report.

Audit Committee

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

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

During the year ended 31 December 2024, the Audit Committee performed the following major tasks:

– Review and discussion of the annual financial results and report for the year ended 31 December 2024 and interim financial results and report for the six months ended 30 June 2024;

– Review of the scope of audit work, auditors' fees and terms of engagement for the year ended 31 December 2024;

– Discussion and recommendation of the re-appointment of the external auditors;

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

- Review of the risk management and internal control systems, and the effectiveness of the internal audit function;

- Review of the arrangements for employees to raise concerns about possible improprieties; and

- Performance of the Audit Committee's other duties under the CG Code.

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

Nomination Committee

The Nomination Committee currently comprises a total of 4 members, being 1 executive director, namely, Mr. Zeng Guangsheng (Chairman); and 3 independent non-executive directors, namely, Mr. Yang Rusheng, Mr. Cheung Chun Yue, Anthony and Mr. Zhu Jianbiao. Accordingly, the majority of the members are independent non-executive directors. The main duties of the Nomination Committee are to (i) review the Board composition, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the rotation, appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors.

Diversity of the Board

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

BOARD COMMITTEES (Continued)

Gender diversity of senior management and employees

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

As at the end of 2024, the Group had 864 female employees, accounting for 39.8% of total employees, and 1,309 male employees, accounting for 60.2% of total employees. The gender ratio of male to female in the workforce of the Group including senior management and other employees was approximately 1:0.66. The Company considers that it has met the objective in gender diversity to achieve gender balance in key roles.

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

(i) Appointment of new directors:

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

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

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

BOARD COMMITTEES (Continued)

Gender diversity of senior management and employees (Continued)

During the year ended 31 December 2024, the Nomination Committee performed the following major tasks:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;

- Recommendation of the re-appointment of those directors standing for re-election at the 2024 annual general meeting of the Company;

- Assessment of the independence of all the independent non-executive directors of the Company; and

- Nomination Committee's other duties under the CG Code.

Environmental, Social and Governance Committee ("ESG Committee")

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

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

During the year ended 31 December 2024, the ESG Committee performed the following major tasks:

- Review of the Company's and its subsidiaries' responsibilities, visions, strategies, frameworks, principles and policies of ESG;

- Performance of ESG Committee's other duties under the CG Code.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval. The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2024 is set out in the section headed "Independent Auditor's Report" in this annual report. The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board and the Audit Committee also confirmed that they have reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2024, which covered all material controls, including financial, operational and compliance controls. The Company's procedures and process involved in the risk management and internal control mainly included:

(1) Risk identification: A list of risks was created after the scope of risks was determined and risks were identified.

(2) Risk assessment: Based on the impacts and the possible occurrence of various potential risks with reference to the risk rating methods determined by the management of the Group, the priority of the risks was determined.

(3) Risk control: The efficiency of internal controls over the risks identified were assessed, in order to keep the risks within the risk tolerance of each aspect.

(4) Risk reporting: The reports of assessment results with respect to risk management and internal control were submitted to the management and the Board on a regular basis.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

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

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

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The fees paid/payable to the Group's external auditors in respect of audit services and non-audit services for the year ended 31 December 2024 are analyzed below:

Type of services provided by the external auditors	Fees paid (HK$'000)
Audit services:	
Audit fees for the year ended 31 December 2024	1,555
Non-audit services:	
Review of the result announcement and attending the Annual General Meeting	25

COMPANY SECRETARY

During the year ended 31 December 2024, Mr. Tam Yiu Chung, the Company Secretary, took no less than 15 hours of relevant professional training. Biographical details of Mr. Tam are set out in the section headed "Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHT

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

(i) Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

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

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

SHAREHOLDERS' RIGHT (Continued)

Communications with shareholders and investors

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

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

Address:	Unit 5–6, 23/F, Enterprise Square Three 39 Wang Chiu Road, Kowloon Bay, Kowloon Hong Kong (For the attention of the Chairman of the Board)
Fax:	(852) 2688 6155
Email:	ipehk@ipehk.com.hk

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

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

INVESTOR RELATIONS

During the year under review, the Company has made changes to its Articles of Association. An up-to date version of the Articles of Association is available on the website of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

Shareholders' Communication Policy

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

The Board reviews the shareholders' communication policy during the year and considers that the policy is effective since the listing up to 31 December 2024 since all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner since its listing.

BOARD COMPOSITION, SUCCESSION AND EVALUATION

We have conducted board evaluation annually. A board range of areas have been assessed including board composition, succession planning, sufficiency and effectiveness of the board committees, board effectiveness to ensure independent views and input are available to the Board.

The Board is committed to review its own performance and effectiveness at regular intervals. The next evaluation shall be conducted in March 2026.

DIVIDEND POLICY

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

In order to comply with Rule 2.07A of the Listing Rules, in relation to the dissemination of corporate communications to shareholders by way of electronic means and incorporate other amendments to Articles for the purpose of providing greater flexibility to the Company relating to the conduct of general meeting, on 22 March 2024, the Board proposed to make the amendments to the Memorandum and Articles of Association of the Company. The aforesaid amendments were approved by Shareholders at the annual general meeting of the Company held on 10 May 2024. For details of the aforesaid amendments, please refer to the announcements dated 22 March 2024, 10 May 2024 and the circular dated 15 April 2024 respectively.

The third amended and restated memorandum and articles of association of the Company was adopted by way of a special resolution passed at the annual general meeting on 10 May 2024. The latest version of the constitutional documents have been published on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

IPE Group Limited ("IPE" or the "Company"), together with its subsidiaries (hereafter referred to as "we," "our," or "our Group"), is committed to fostering sustainability in our business operations. As one of the leading component suppliers in the high-end automotive, hydraulic and electronic equipment industry, our Group view Environmental, Social, and Governance ("ESG") as a core component of our strategic business plan, focusing on creating value for our stakeholders. This ESG report ("Report") highlights our commitment and achievements through both qualitative and quantitative analyses of our ESG performance.

Reporting Standard

Our Report prepared in accordance with the "ESG Reporting Guide" outlined in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). In this Report, we also disclose our ESG information with reference to the Global Reporting Initiative ("GRI") standards. This Report follows the methodology in measurement and calculation for ESG-related data as previous year, unless specified otherwise.

Scope of Report

The scope of this Report includes our operations in Guangzhou, Dongguan, Changshu, and Jiangsu in the People's Republic of China ("PRC" or "China"). This Report summarises the ESG performance of our Group during the period from 1 January 2024 to 31 December 2024 (the "Reporting Period" or "2024"). Unless otherwise specified, the scope remains unchanged from that of the previous year.

IPE Group Limited				
Entity names:	Guangzhou Xin Hao Precision Technology Company Limited (hereafter "GZXH"), Guangzhou, the PRC	Dongguan Koda Metal Products Company Limited (hereafter "DGKD"), Dongguan, the PRC	Changshu Keyu Greystone Machining Company Limited (hereafter "CSKY"), Suzhou, the PRC	Jiangsu Kemai Hydraulic Control System Company Limited (hereafter "JSKM"), the PRC
Principal activities of operations:	The manufacturing site of automotive parts, hydraulic and electronic equipment and sales office	The manufacturing site of automotive parts and electronic products and sales office	The manufacturing site of automotive parts and hydraulic and sales office	The manufacturing site of hydraulic equipment components and sales office

The principal activities of the above-mentioned operations are the manufacturing and sale of precision components products, which collectively accounted for 75.3% of our Group's total revenue during the Reporting Period.

Reporting Principles

The preparation of the ESG Report has applied the following principles:

Reporting Principles	Description
Materiality	During a Materiality Assessment, we have evaluated and prioritised ESG issues based on the significance and potential impact on the business and stakeholders. This process involves identifying, analysing, and determining the key topics that are important for decision-making, reporting, and stakeholder engagement.
Quantitative	We ensure transparency in our ESG performance by following the ESG Reporting Code. We use robust methodologies and reliable environmental and social key performance indicators ("KPIs") to disclose our ESG performance. This approach allows for the evaluation and validation of the effectiveness of our ESG policies and management systems.
Balance	The performance of our Group was presented in an unbiased, honest and fair manner. Reasons for omission have been disclosed if the omission is inevitable.
Consistency	The consistent statistical approaches and the presentation of KPIs have been maintained to enable meaningful comparisons of interconnected data across different time periods.

This Report details the progress and outcomes of the Group's ESG efforts in 2024, and it was reviewed and approved by the board of directors (the "Board") on March 28, 2025.

Contact and Feedback

We strive to build a trusted relationship with the community. Our business strategies are developed with the feedback of our stakeholders; hence, we value your input on both this Report and our sustainability efforts. Should you have any comments or suggestions, please do not hesitate to share them with us via:

Address	:	Unit 5-6, 23/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong (for the attention of the Chairman of the ESG Committee)
Fax	:	(852) 2688 6155
Email	:	ipehk@ipehk.com.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE BOARD'S STATEMENT

Commitment to Sustainability and Social Responsibility

IPE is dedicated to promoting green development and social responsibility. Our mission is to champion sustainability by embedding ESG principles into our strategic decision-making and operational processes. We understand that effective ESG management is not only crucial for generating long-term value but also reflects our responsibility to society at large.

To facilitate our commitment, we have established a comprehensive top-down ESG governance framework. The Board of Directors acts as the principal governing body, fully responsible for the development and oversight of ESG strategies. This governance structure ensures a forward-thinking approach to our sustainability initiatives. In 2019, we formed an ESG Committee comprised of both executive and independent non-executive directors. Chaired by an independent non-executive director, this Committee oversees all ESG topics and reports regularly to the full Board.

The Board actively reviews ESG issues, monitors the implementation of key initiatives, and assesses ESG-related risks and opportunities, taking into account industry trends and stakeholder feedback. Our commitment to transparent governance ensures that our ESG practices are both effective and accountable.

In 2024, the Board played a pivotal role in guiding the Group's ESG governance. We focused on addressing critical issues such as climate change, energy efficiency, product quality, and workplace safety. This active engagement reinforced our commitment to a low-carbon transformation and fulfilling our social responsibilities.

Throughout the year, the Board carefully evaluated ESG-related proposals, including annual plans and progress updates. By providing strategic direction aligned with our development goals and the concerns of shareholders and investors, we ensured the successful execution of our strategic objectives.

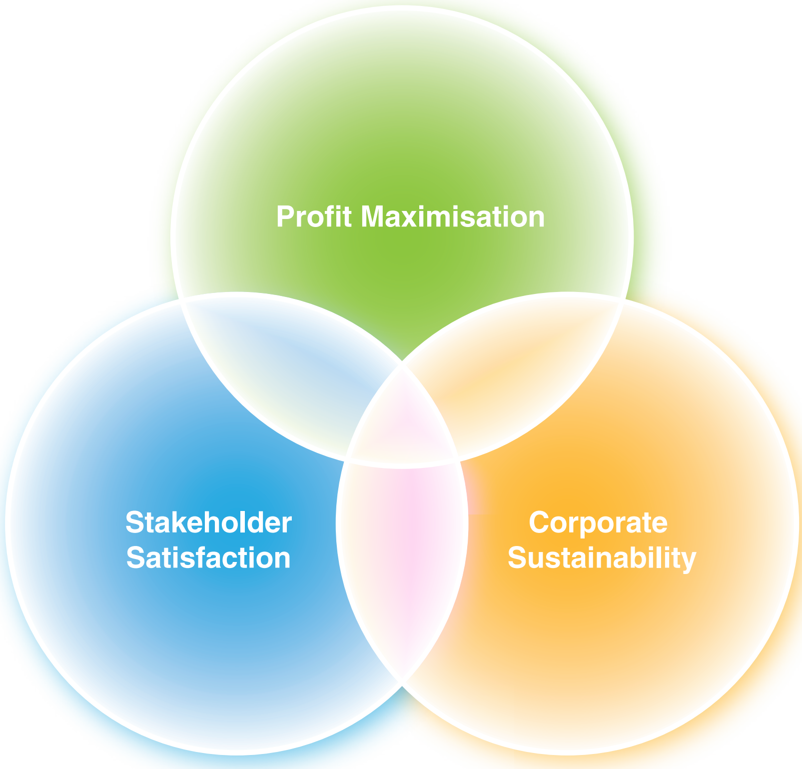
We believe that continuous improvement is essential to our ESG journey. We regularly assess our initiatives, and environmental target set and outcomes, seeking ways to enhance our practices and adapt to changing circumstances. This commitment to continual growth ensures that we remain responsive to emerging challenges and opportunities within the ESG landscape.

Our ESG strategies are closely aligned with our overall business objectives. By integrating ESG considerations into our core operations, we strengthen our value proposition and enhance long-term sustainability. This strategic alignment not only meets stakeholder expectations but also positions us competitively in the marketplace.

Looking ahead, IPE is committed to further advancing our ESG initiatives. We aim to deepen our engagement with stakeholders, enhance our reporting practices, and explore innovative solutions to tackle environmental and social challenges. Our future outlook is focused on fostering sustainable growth while fulfilling our responsibilities to society and the planet.

VALUES AND MISSIONS

The Group is dedicated to upholding a set of core values and missions cantered around sustainability. The organisation is committed to fostering a harmonious equilibrium between profit maximisation, corporate sustainability, and stakeholder satisfaction. By prioritising these aspects, the Group aims to ensure the longevity and continuity of its business operations while also cultivating a robust business resilience in the face of challenges and evolving market dynamics. This commitment underscores our Group's dedication to sustainable practices that not only benefit our Group but also create a positive impact on its stakeholders and the broader community.



AWARDS AND RECOGNITION

Our Group is committed to achieving operational excellence and has earned various local and international awards and certifications, such as IATF16949:2016, AS9100:2016, ISO9001:2015, ISO14001:2004, ISO14001:2015, ISO14001:2018 and ISO 45001:2018 for our operations. The recognition received by our Group include:

Awards and certifications	Entity
• Hong Kong-Guangdong Cleaner Production Partner(Manufacturing)	GZXH
• Certificate of High-Tech Products	JSKM
• Stationary Pollution Source Discharge Registration License	JSKM
• Certificate of Explosion-proof (Sealed Hydraulic Valves Proportional Electromagnet for mining DTEBL21DC24V 0.63A)	JSKM
• Certificate of Mining Product Safety Mark (Sealed Hydraulic Valves Proportional Electromagnet for mining DTEBL21)	JSKM
• High-tech Enterprise Award – the Office of the National High-tech Enterprise Recognition and Management Leading Group	GZXH & DGKD
• Mechanical Industry Science and Technology Award – the China Machinery Industry Federation	JSKM
• Service-Oriented Manufacturing Demonstration Enterprise (Platform) in Jiangsu Province – Department of Industry and Information Technology in Jiangsu Province	JSKM
• Guangdong Provincial Enterprise Technology Centre – Department of Industry and Information Technology in Guangdong Province	GZXH
• The New Small and Medium-sized specialised enterprise in 2023 – Department of Industry and Information Technology in Guangdong Province	GZXH
• Famous high-tech products of Guangdong Province - Guangdong High-tech Enterprises Association	GZXH
• Top 500 manufacturing enterprises in Guangdong Province – Guangdong Manufacturing Association	GZXH
• Yangzhou Municipal Enterprise Technology Centre – Department of Industry and Information Technology (Yangzhou City)	JSKM
• Intellectual Property Advantage Enterprise in Yangzhou – Yangzhou Municipal Administration for Market Regulation (Intellectual Property Office)	JSKM
• Yangzhou Gazelle (Training) Enterprise in 2023 – Yangzhou Municipal People's Government Office	JSKM
• Mining Product Safety Mark Certificate – China Mining Products Safety Approval and Certification Centre	JSKM


广东省名优高新技术产品
证书

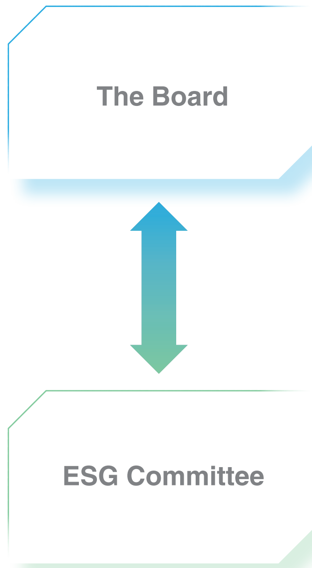
广州市新豪精密科技有限公司：

经专家评审，你公司的 汽车制动器精密零件（套子） 产品被评选为2021年广东省名优高新技术产品。

广东省高新技术企业协会
2022年3月

编号:20210585

ESG GOVERNANCE STRUCTURE



The Board has overall responsibility for shaping our Group's ESG strategy, overseeing reporting, and assessing and mitigating ESG-related risks. A comprehensive set of sustainability policies has been devised by our Group to articulate its dedication and methodologies in advancing sustainability practices to stakeholders.

In pursuit of its corporate sustainability vision, our Group has instituted an ESG Committee, led and administered by the Board. This committee is tasked with supervising all ESG-related affairs and reporting back to the Board. Their duties include formulating ESG strategies and initiatives, which may involve policy formulation, delegation of ESG responsibilities, and the establishment of systems to manage ESG activities. Additionally, the ESG Committee establishes pertinent policy objectives, KPIs, and metrics that align with our Group's operational model, effectively tracking the progress of implemented measures. As needed, the ESG Committee brings any significant developments within its purview to the attention of the Board. Furthermore, our Group has engaged external ESG consultants to bolster its sustainable growth endeavours.

The Board annually reviews matter significant to business expansion and stakeholder interests during its meetings. The ESG Committee conducts semi-annual evaluations of our Group's ESG performance and associated objectives.

Our Chairman of ESG committee, Mr. Cheung Chun Yue, Anthony has extensive experience in ESG Aspect. He is currently Board Governor & Green Finance Convenor, Friends of the Earth (HK). He was awarded the Certified ESG Analyst designation and he has held various industry positions including Stakeholder Council Member of the Global Reporting Initiative.

ESG POTENTIAL RISK IDENTIFICATIONS

This year, a questionnaire was provided to the Board to assess the potential impacts of various ESG risks on our Group's operations. Based on their responses, our Group has identified several material ESG risks that are which are summarised as follows:

Risks	Implications	Our Responses
Widespread Diseases	The implications of widespread diseases and pandemics represent a significant ESG risk for our Group. Such health crises can impact the workforce and supply chain, leading to labour shortages and disruptions in the availability of raw materials. Additionally, the implementation of health and safety protocols may create additional costs and affect overall productivity.	Our Group regular monitors of indoor air quality and pollutants at designated sensitive locations ensures compliance with relevant national and local regulations. To protect frontline workers from occupational hazards, appropriate personal protective equipment is supplied to all frontline workers on assembly lines.
Raw Material Availability Risk	Raw material availability risk poses significant ESG implications for a company, impacting our operational efficiency, cost management, and reputation. Challenges in sourcing essential materials due to geopolitical tensions, supply chain disruptions, or environmental regulations can lead to production delays and increased costs, ultimately affecting our Group's ability to meet market demands.	Our Group collaborates with supply chain partners to enforce sustainable practices. We implement the Suppliers and Purchasing Management Procedure, conduct regular inspections, and ensure compliance with ethical and legal standards. Our rigorous supplier evaluation process considers both operational performance and sustainability criteria. By doing so, we ensure a reliable supply of raw materials while promoting ethical and sustainable practices within our supply chain.

ESG POTENTIAL RISK IDENTIFICATIONS (Continued)

Risks	Implications	Our Responses
Quality Risk	Quality risk arises from a failure to effectively manage quality control and assurance systems, potentially leading to significant operational and reputational consequences for our Group. Inadequate oversight can result in undetected defects or safety issues in products, such as those related to chemical use, which may compromise customer safety and satisfaction. This can lead to complaints from customers and regulatory bodies.	Our Group provides quality assurance training to managers and has established an Engineering Institute to cultivate high-quality talent. As a leading component supplier in the high-end automotive industry, we uphold the highest quality standards, with some facilities achieving ISO 9001:2015 certification since 2008. Our systematic quality management approach ensures rigorous control from raw material acquisition to after-sales service. We continuously monitor manufacturing processes and conduct stringent quality assessments on all stages of production to maintain top product quality.
Service Failure	The ESG risk implication of service failure due to inadequate management of quality control and assurance systems can have profound consequences for a company. Such failures may lead to customer complaints and dissatisfaction, which can significantly affect our Group's reputation and brand image.	Our Group has established clear protocols and operational procedures for dealing with customer issues. Especially in DGKD, a handling procedure involving a combination of the 8D method and the 5 Whys method[1] is adopted in the handling of customer complaints.

1 The 8D method and the 5 Whys method is a handling procedure within our Group. For details, please refer to the section "Product Responsibility – Customer Service".

ESG POTENTIAL RISK IDENTIFICATIONS (Continued)

Risks	Implications	Our Responses
Health and Safety Risk	The ESG risk implications of health and safety risk are significant and multifaceted for a company. Inadequate health and safety management can lead to workplace accidents, injuries, and illnesses, which not only jeopardize employee well-being but also expose our Group to legal liabilities and regulatory fines. Such incidents can result in increased insurance costs, decreased employee morale, and higher turnover rates, further straining resources and productivity.	Our Group ensures to monitor workplace noise and air quality, provide personal protective equipment, and implement traffic management practices to safeguard employees. JSKM offers subsidies and cooling beverages for workers in extreme heat. Emergency procedures and fire safety measures are in place, with annual drills and regular inspections. Both GZXH and DGKD obtained Safety Production Standardization certifications since 2019.
Information Technology ("IT") Security & Access Risk	A poor IT security posture can hinder a company's ability to innovate and adapt to market changes, as resources may be diverted to address security vulnerabilities instead of strategic initiatives. When information systems fail to adequately protect internal and external access to data from threats such as viruses or improper use.	Our Group's Information Security Accountability Management Policy ensures the protection of data, with procedures for using computer networks and handling confidential information. Daily data backups are performed and stored securely. The IT Department has also established firewalls, anti-virus systems, and conducts regular updates.

STAKEHOLDER ENGAGEMENT

Our Group engages in consistent dialogue with our stakeholders to proactively seek their points of view and expectations regarding our ESG priorities and the environmental and social impacts of our operations. As a result, we can adjust our ESG management practices and strategies, thereby devising plans to tackle these ESG challenges. This empowers our Group to consistently improve our ESG performance.

Our Group creates efficient communication pathways with pivotal stakeholder segments that exert substantial influence on our business operations or are greatly affected by our initiatives. The table below illustrates the different communication channels used:

Stakeholder Groups	Communication Channels
Employee	– Employees' performance – Internal newsletters – Internal trainings – Employee satisfaction questionnaire
Customers	– Company letters – Customer feedback Systems – Exhibition
Suppliers and subcontractors	– Regular electronic and business meetings – Supplier meetings
Shareholders/Investors	– Annual Report/ESG Report – Company websites – Shareholder meetings – Financial statements
Regulatory Bodies	– Regulatory filings – Compliance reports
Local Communities	– Community engagement programs – Charity/donation events
Non-Governmental Organizations ("NGOs")	– Partnerships with NGOs

Through the utilisation of these communication channels, our Group upholds dynamic and transparent interactions with our stakeholders, fostering open dialogue and collaboration. This approach ensures that we address the concerns and expectations of our stakeholders while focusing on the ongoing enhancement of our ESG performance.

MATERIALITY ASSESSMENT

To obtain a comprehensive understanding of our ESG strategy and performance, our Group utilise an independent consultant to gather perspectives from a wide range of stakeholders. To enhance the accuracy and inclusivity of our materiality assessment, an online survey is conducted with diverse groups, including our Board, senior management, employees, customers, subcontractors, suppliers and others. Our Group have diligently integrated their feedback into relevant sections of this Report. By engaging with different stakeholders and considering their feedback, our Group is committed to continually improving our ESG efforts and meeting the needs of our stakeholders more effectively.

IDENTIFICATION

Drawing insights from recommendations outlined in the ESG Reporting Guide, the external consultant assisted our Group in identifying 34 topics related to our operations and impact, covering environmental and social aspects.

ENGAGEMENT

An online questionnaire was conducted to invite both internal and external stakeholders to assess the importance of the identified topics concerning our Group's business and operations, as well as from the stakeholders' perspectives.

PRIORITISATION

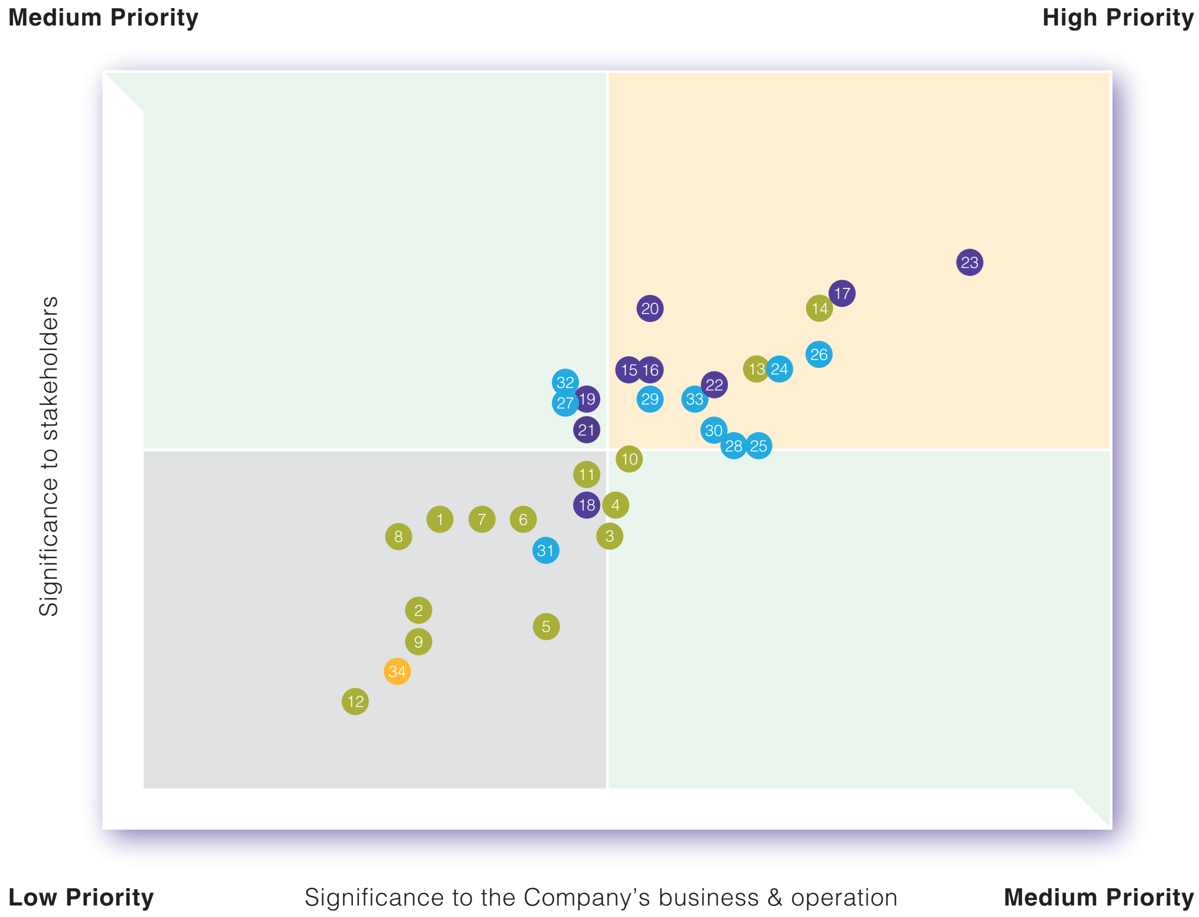
We consolidated stakeholder responses and assessed the materiality of each ESG issue to focus this Report on key topics, strategies, and impacts. By utilising the Materiality Assessment results, we established the significance level of each ESG concern.

VERIFICATION

Management verified the results for the Report disclosure and integration into our Group's business strategy. The identified issues and their impacts are periodically reviewed to maintain their relevance.

The materiality matrix maps the importance of the 34 ESG-related topics by evaluating their impact on stakeholders and our business activities. The upper right corner highlights the most critical issues, while the less significant ones are positioned in the lower left.

MATERIALITY MATRIX



Environment	Employment	Operation
	Social	
1. Air emission	15. Labour rights	24. Customer satisfaction
2. Greenhouse gas ("GHG") emission	16. Labour/Management relations	25. Customer service quality and complaints handling
3. Decarbonisation	17. Employee retention	26. Customer health and safety
4. Conservation of ecosystem	18. Diversity and equal opportunity	27. Marketing and product and service labelling compliance
5. Nature-related risk and opportunity management	19. Non-discrimination	28. Intellectual property
6. Circular economy	20. Occupational health and safety ("OSH")	29. Customer privacy and data protection
7. Environmental data management	21. Employee training	30. Responsible supply chain management
8. Climate change mitigation	22. Employee development	31. Fair operating practices on supplier
9. Climate risk management	23. Prevention of child labour and forced labour	32. Ethical business
10. Energy efficiency		33. Socio-economic compliance
11. Water and effluents		**Community**
12. Use of materials		34. Community involvement
13. Waste management		
14. Environmental compliance		

The materiality assessment provides important insights into the ESG risks and opportunities within our business operations. By understanding and prioritising significant ESG issues for stakeholders, we ensure these concerns drive our decision-making. Utilising the materiality assessment to guide our ESG efforts allows us to create lasting value for stakeholders, mitigate risks, and cultivate positive societal and environmental impacts.

Key Concerns from Stakeholders	Our Responses in Section(s)
1) Prevention of child labour and forced labour	Labour Standards
2) Employee retention	Employment Recruitment and Retention Strategy
3) Environmental compliance	Environmental Protection
4) Customer health and safety	Work Health and Safety; Product Responsibility
5) Customer satisfaction	Product Responsibility

ENVIRONMENTAL PROTECTION

2024 Environmental Solution Highlights

Our Group remains committed in combatting climate change, reducing pollution, and promoting resource conservation. In 2024, we are pleased to announce our notable results in improving our environmental performance. Moving forward, our Group will continue to enhance our energy management and resource efficiency, contributing to environmental protection. Below are the highlights of our environmental solutions this year.

ENVIRONMENTAL PROTECTION (Continued)

2024 Environmental Solution Highlights (Continued)

GZXH – Unifying Cooling System and Integrating a 2.1MW/3.87MW Energy Storage System

At GZXH, our environmental improvements were made through technical upgrades. The cooling systems of Technical Unit("TU")2/TU3/TU9 hydrocarbon machines and the TU5 hydraulic test bench marked a significant milestone, consolidating individual cooling units into a unified cooling system. This integration resulted in enhanced cooling efficiency, with the central air conditioning boasting a coefficient of performance ("COP") of 4.56 and the cooling water system achieving a performance coefficient ("COP") of 3.38.

Region	Before Upgrades	After Upgrades	Energy Saving (10,000 Kilowatt-hour ("kWh")/year)	
	Cooling Water System	Cooling Water System	Cooling Water System	Central Air Conditioning (6 months)
TU2&TU3	17 Kilowatt ("kW")*6	17kW*4	14	10
TU9	22kW*2	22kW*1.5	6	5
TU16	17kW*9	17kW*5	28	12
Total	384kW	238kW	75	

Moreover, at GZXH, a significant milestone was achieved with the integration of a 2.1 megawatt ("MW")/3.87MW energy storage system into the grid, establishing a seamless fusion of solar energy storage. This technology represents a big step towards reducing pollution emissions, enhancing energy efficiency, fostering sustainable development, lowering carbon emissions, and bolstering grid stability.

The implementation of these technological solutions not only demonstrates our commitment to environmental stewardship but also underscores our dedication to driving positive change and embracing innovative solutions for a greener future. Our efforts were recognised with the "Hong Kong - Guangdong Cleaner Production Partner (Manufacturing)" certification.

Coefficient of performance (COP) – cooling means the ratio of the rate of heat removal to the rate of energy input, in consistent units, for an air-conditioning equipment. Based on the Technical Guidelines on Retro-commissioning from the Electrical and Mechanical Services Department (EMSD), the levels of COP for cooling can be categorised as follows: A COP greater than 6.0 is considered excellent, indicating highly efficient cooling performance. A COP between 4.5 and 6.0 signifies good performance, meeting the recommended standards for energy efficiency. A COP between 3.0 and 4.5 represents average performance, which is acceptable but may benefit from improvements. Lastly, a COP below 3.0 indicates poor performance, suggesting that the system is inefficient and may require retro-commissioning or upgrades to improve efficiency. These levels help in assessing the energy efficiency of cooling systems.

ENVIRONMENTAL PROTECTION (Continued)

2024 Environmental Solution Highlights (Continued)

GZXH – Unifying Cooling System and Integrating a 2.1MW/3.87MW Energy Storage System

ENVIRONMENTAL PROTECTION (Continued)

2024 Environmental Solution Highlights (Continued)

JSKM Facility – Solar Energy Storage and Centralised Air Station Installation

In 2024, at our JSKM facility, significant environmental initiatives were undertaken, including the integration of a solar energy storage project and the replacement of air compressors. A comprehensive 0.4MW photovoltaic and 0.5MW/1.075 Megawatt-hour ("MWh") energy storage system was implemented on the roof of a newly constructed plant, set to be grid-connected in February 2025. This project is expected to generate 420,000 kWh of electricity annually, utilising renewable energy sources to reduce GHG emissions.

420,000 kWh of electricity generation from solar energy storage

70,000 kWh of energy saved from air compressor installations

Furthermore, the facility upgraded its air compressor system by installing a new centralised air station, replacing the existing units. The original air compressor setup in Plant 1 consisted of two units with a combined power of 22kW and an input power ratio of 8.1kW/M^3/min) when put into operation in 2018. With the construction of a new plant in 2024, the need arose to introduce additional air compressors. Following thorough assessment, a decision was made to purchase a new air compressor system to establish a centralised air station, replacing the outdated units. The newly installed air compressors have an improved input power ratio of 6.9kW/(M^3/min), resulting in a 15% enhancement in energy efficiency. This upgrade is projected to yield an annual energy saving of 70,000 kWh, showcasing our dedication to sustainable energy practices and conservation efforts.

ENVIRONMENTAL PROTECTION (Continued)

2024 Environmental Solution Highlights (Continued)

CSKY and JSKM – Solar Energy Expansion (Second Phase)

In the first phase of our solar initiatives, we successfully connected a 1.49MW distributed photovoltaic project to the grid in 2024. This project is anticipated to generate an annual output of 1.5 million kWh, harnessing renewable energy sources to reduce GHG emissions significantly.

Building upon this success, we have embarked on the second phase of our solar energy projects. In December 2024, we finalised a contract for a 3.67MW distributed photovoltaic project. Scheduled for grid connection in July 2025, this expansion is projected to produce an annual output of 3.85 million kWh. By leveraging renewable energy sources, we aim to further mitigate our environmental impact and contribute to a sustainable future.

ENVIRONMENTAL PROTECTION (Continued)

2024 Environmental Solution Highlights (Continued)

DGKD – Energy Storage System

At our Guangdong Dongguan Keda facility, we have successfully integrated a 0.3MW/0.645MW energy storage system into the grid. This initiative marks a significant step towards enhancing our energy efficiency and sustainability efforts at the site. By incorporating this storage system, we aim to optimise energy usage, improve grid stability, and further our commitment to reducing environmental impact.

Group Level – Smart Energy and Carbon Management Platform

Our Group has invested in developing a carbon reduction method through the establishment of smart energy and carbon management platform. This platform collects all level 3 energy consumption data from 129 monitoring points. We have selected 30 key high-energy-consuming facilities and installed smart meters to gather relevant data from these 30 monitoring points. Additionally, we manually input data for other energy sources such as liquefied gas and diesel.

The total investment for this project is RMB278,000. We estimate that this initiative will reduce energy consumption by 36.21 kWh. The implementation period for this project is set to begin in June 2024. Our efforts in developing this technology demonstrate our commitment to sustainable practices and energy reduction.

ENVIRONMENTAL PROTECTION (Continued)

2025 Energy Conservation and Emission Reduction Plan

Looking ahead to 2025, our Group's plans for energy conservation and emission reduction are crucial elements of our environmental strategy. We focus on investing in green technologies with the aim of reducing the burden on the Earth.

2025 Environmental Projects		Site Applicable
Intensifying the promotion of energy-efficient technologies across our Group	Our Group aims to continue with our energy-saving and emission reduction initiatives. We plan to intensify the promotion of energy-efficient technologies across all units within our Group. This includes advocating energy conservation and emission reduction practices among all employees in their daily activities and work routines.	All
Recycling concentrated water generated by the water purifying system	Our Group aims to further advance our environmental sustainability goals by implementing a water reuse system. By recycling concentrated water generated by the water purifying systems in the factory buildings, we anticipate a significant reduction in water wastage, contributing to our overall water conservation efforts. After the successful case, our Group will promote this installation throughout our Group.	GZXH
Replacing outdated air compressors with more energy-efficient models	Our Group's focus remains on enhancing energy efficiency by replacing outdated air compressors with more energy-efficient models. This upgrade is expected to not only reduce energy consumption but also improve operational reliability, thereby lowering maintenance costs and minimising downtime.	DGKD

ENVIRONMENTAL PROTECTION (Continued)

2025 Energy Conservation and Emission Reduction Plan (Continued)

2025 Environmental Projects		Site Applicable
Installing a rooftop solar system	Our Group is committed to expanding our use of renewable energy sources to reduce GHG emissions. The forthcoming installation of a 0.886MW rooftop solar system of our factories is projected to significantly increase our reliance on solar power, aligning with our sustainability objectives and reducing our environmental footprint.	IPE Facility in Thailand
Integrating 3.67MW photovoltaic system	Our Group's successful integration of a 3.67MW distributed photovoltaic system at our JSKM and CSKY exemplifies our commitment to leveraging renewable energy solutions to drive positive change and mitigate our environmental impact.	JSKM and CSKY

Looking forward, our Group will continue to invest in sustainable development and social responsibility, striving to create long-term value for shareholders, investors, and other stakeholders through continuous improvement and innovation.

Targets and Performance Review

Our Group has established a clear roadmap and measurable targets for environmental protection. In 2021 ("Baseline Year"), we set four key objectives aimed at reducing which are GHG emissions, electricity consumption, water consumption, and sludge generation[2]. Below shows our progress in 2024 against the Baseline Year. We are pleased to announce that we have achieved most of our targets. Looking ahead, we will continue to achieve further and set additional environmental targets to further protect the environment in line with the targets we have established.

2024 Environmental Targets (with 2021 Baseline)	
Clean Production	Source 3% of its total energy consumption from self-generated solar energy
Energy Use Reduction	Reduce 4% of electricity consumption intensity from air-conditioning units
Water Use Reduction	Reduce 2% of water consumption intensity
Sludge Reduction	Reduce 5% of sludge generation intensity

[2] The targets share the same base year of 2021, the performance was tracked against the consumption or generation data reported in the Report with the Reporting Period 1 January 2021 to 31 December 2021.

ENVIRONMENTAL PROTECTION (Continued)

Targets and Performance Review (Continued)

Performance Review

Indicator	2021 Baseline	2024 Target	Reporting Period Performance	Progress
Solar Energy Generation	N/A, based on energy consumption in the corresponding Reporting Period	Source 3% of its total energy consumption from self-generated solar power	10% of its total energy consumption was sourced from self-generated solar power	100% Achieved with an excellent result of three times greater than our initial target
Electricity consumption intensity	29.56 MWh/employee	28.38 MWh/employee	27.61 MWh/employee	100% Achieved
Water consumption intensity	210.14 m^3/employee	205.94 m^3/employee	167.39 m^3/employee	100% Achieved with an excellent result and that is ten times greater than our initial target
Sludge generation intensity	0.56 tonnes/ employee[3]	0.53 tonnes/ employee	0.08 tonnes/ employee[4]	100% Achieved with an outstanding performance of an intensity lower than 0.1 tonnes/ employee

The targets and performance progress outlined above have been reviewed by the Board and management during the Reporting Period. Our Group is pleased to have sourced 10% of its total energy consumption from self-generated solar power this financial year. Our Group successfully explored the feasibility of expanding its solar energy generation capacity to ensure the achievement of our targets by 2024.

With respect to the targets for solar energy generation, electricity consumption intensity, water consumption intensity, and sludge generation intensity, our Group has successfully surpassed all targets. The significant reduction in electricity and water consumption intensity is primarily due to our solar energy storage and centralised air station installation during the Reporting Period, highlighting our Group's commitment to environmental protection. Additionally, the decrease in sludge generation intensity was achieved through our Group's implementation of effective biodegradable methods for sewage treatment.

3 Sludge generation intensity = sludge generated by GZXH, DGKD and IPET during FY2021/total employees of GZXH, DGKD and IPET as of 31 December 2021.

4 Sludge generation intensity = sludge generated by GZXH and DGKD during the Reporting Period/total employees of GZXH and DGKD as of 31 December 2024.

ENVIRONMENTAL PROTECTION (Continued)

Compliance with Environmental Legislation

As a manufacturer, our Group recognise the importance of minimising our operational impacts on the environment. We understand the significant role we play in contributing to environmental sustainability and continuously improving our efforts in this area. Our commitment lies in prioritising environmental considerations across all facets of our operations, ensuring that sustainability remains a core focus in everything we do. To achieve this, we are actively working to implement strategies that reduce our environmental footprint, promote resource efficiency, and drive sustainable practices throughout our manufacturing processes.

Our Group strictly complies with national and local laws and regulations concerning environmental protection and pollution control. GZXH and DGKD diligently adhere to national, provincial, and local regulations, including:

Environmental Laws and Regulations:

- Environmental Protection Law of the People's Republic of China
- The Law on the Prevention and Control of Environmental Pollution by Solid Waste
- The Law on the Prevention and Control of Atmospheric Pollution
- The Water Pollution Prevention and Control Law
- The Soil Pollution Prevention and Control Law
- The Regulations of Guangdong and Jiangsu Provinces on the Prevention and Control of Solid Waste Environmental Pollution

During the Reporting Period, no instances of non-compliance with relevant laws and regulations that significantly impact our Group were identified concerning air and GHG emissions, discharges into water and land, or the generation of hazardous and non-hazardous waste.

Impacts on Environment and Natural Resources

Our Group's operations do not cause significant adverse impacts on the environment. However, a substantial amount of energy is consumed during production activities. Our Group has implemented various management measures to improve energy efficiency and regulate electricity consumption. Additionally, a management policy for paper conservation has been established to encourage environmental awareness among employees.

Moving forward, our Group will continue to monitor and manage air emissions, waste generation, wastewater discharge, and noise levels to minimise our impact on the surrounding environment. With the formation of the ESG Committee, we believe that the ongoing improvement in environmental protection is achievable in the coming years. Our Group plans to introduce additional measures to further reduce the environmental and natural resource impacts resulting from its business operations.

ENVIRONMENTAL PROTECTION (Continued)

Emissions Mitigation Strategies

Production Activities

Particulate matter, notably from production operations within our Group, is emitted as exhaust gas. The exhaust gas emissions at GZXH and JSKM are closely monitored to adhere to the emission standards outlined in the Emission Limit of Air Pollutants (DB44/27-2001) in Guangdong Province and the Emission Limit of Air Pollutants (DB32/4041-2021) in Jiangsu Province. Furthermore, the release of cooking fumes from the staff canteen complies with the permissible levels specified by the GB 18483-2001 Emission Standard of Cooking Fume.

Environmental protection, particularly the reduction of air emissions resulting from production activities, is the most important to our Group. Striving to exceed regulatory requirements, our Group ensures that its emissions not only meet but surpass statutory standards, thereby minimising any adverse environmental impact.

Vehicle Management Strategies

On-site direct emissions are effectively managed through a range of control measures. Additionally, our Group has introduced enhanced vehicle management strategies with the goal of reducing the number of vehicles, minimising fuel consumption, and lowering associated air emissions.

Comprehensive transportation planning is crucial for efficiently scheduling vehicle dispatches. Our Group strongly encourage our employees to plan their trips in advance and embrace carpooling to reduce vehicle usage. Priority will be placed on procuring fuel-efficient and low-emission vehicles in future replacements. Moreover, our Group actively advocates for the use of public transportation among employees whenever it is a viable option. As a result of our Group's continual initiatives, our vehicle exhaust emissions have significantly decreased compared to the previous Reporting Period.

Eco-friendly Equipment Investment

Our Group has invested in environmentally friendly equipment specifically designed to address oil fumes and exhaust gas, thereby minimising air pollutant emissions from its operations. As a result of our Group's continual initiatives, our fuel consumption has significantly decreased compared to the previous Reporting Period.

Our Group is committed to reducing the carbon footprint of its operations. To lower our GHG emissions, photovoltaic panels have been installed on-site and have commenced generating electricity in recent years. Referring to our environmental targets set for accomplishment by 2024, our Group has successfully obtained more than 3% of our total energy consumption from self-generated solar power. As a leader in the manufacturing sector, our Group is fully committed to reducing emissions. In alignment with the Chinese government, our Group pursues the goal of “Peak Carbon Emissions, Reach Carbon Neutrality”.

ENVIRONMENTAL PROTECTION (Continued)

Waste Management and Sustainability Practices

In strict adherence to national regulations and in full compliance with the ISO 14001 standard, our Group rigorously handles both hazardous and non-hazardous waste. Internally, our Group has implemented various waste management protocols to oversee the sorting, storage, transfer, disposal, and recycling of waste materials.

Recycling bins, accompanied by clear instructions for segregating recyclable and non-recyclable waste, have been strategically placed by our Group. Segregated waste is deposited into designated containers, appropriately labelled, and subsequently moved to designated on-site storage areas for temporary safekeeping before collection.

Segregated Recyclable Waste:

Deposited into designated containers → Appropriately labelled → Moved to designated on-site storage areas for temporary safekeeping → Waste collection

Moreover, our Group emphasises sustainability by promoting the use of reusable tableware over disposable options in canteens to minimise solid waste generation. Assigned personnel are responsible for maintaining the cleanliness and organisation of on-site waste reception facilities. When hazardous waste is collected, our Group ensures the provision of essential documents and material safety data sheets to authorised handlers registered with local government authorities.

Over the years, our Group has dedicated significant efforts to enhance waste management practices throughout its operations. Notably, a waste record-keeping system has been established to monitor and manage the quantity and types of waste generated daily at the sites. To reduce waste and optimise resource usage, our Group prioritises the reuse of cutting oils whenever feasible, subsequently transferring waste oils to licensed handlers for proper disposal.

Continuing our commitment to sustainability, our Group implements paper-saving initiatives to reduce paper wastage at the source. Collected paper waste is managed by licensed handlers for downstream recycling processes. In instances of sudden spikes in paper consumption, the administration department addresses concerns with the respective department and enforces necessary control measures.

ENVIRONMENTAL PROTECTION (Continued)

Use of Resources

Energy Use Efficiency

In 2021, our Group underwent a comprehensive upgrade focusing on energy utilisation and efficiency. To begin with, our Group launched the photovoltaic clean energy project at GZXH, anticipated to produce 2,000,000 kWh of energy annually. Throughout the Reporting Period, a total of 4,988,06 kWh of solar energy was generated on-site and utilised by our Group, accounting for 10% of our Group's total energy consumption. Concurrently, GZXH initiated the replacement of split-type equipment with a centralised energy station. This centralised station facilitates more efficient cooling and gas distribution, leading to enhanced overall equipment efficiency and reduced energy consumption. By optimising energy utilisation, GZXH aims to align with the Chinese government's directive to achieve "Peak Carbon Emissions, Reach Carbon Neutrality."

Green Office Operation

By fully transitioning to Light-emitting diode (“LED”) lighting throughout the production lines and office spaces, our Group has reduced energy consumption in comparison to traditional lighting, thereby enhancing overall energy efficiency. In addition to the lighting retrofit, our Group has implemented the following management strategies to promote the judicious utilisation of energy resources:

Energy Use Resource Management	
Reducing electricity consumption from air conditioning	Utilise natural ventilation
	Set the air conditioner temperature to a minimum of 26°C
	Switch off air conditioner at least 30 minutes before leaving
	Ensure windows and doors are closed when the air conditioner is in use
	Regularly clean the air conditioner to enhance energy efficiency

ENVIRONMENTAL PROTECTION (Continued)

Use of Resources (Continued)

Green Office Operation (Continued)

Energy Use Resource Management	
Reducing electricity consumption from lighting	Maximise daylight usage whenever possible
	Turn off unnecessary lighting in public areas, for example, toilet
	Adopt energy efficient LED lighting across the offices for higher energy efficiency
	Place reminders and stickers near power switches to remind staff of energy conservation
	Install sensors to automatically turn off lights when they are not in use
Saving electricity usage from office equipment	Power down unnecessary office equipment, such as computers, printers, copiers, and fax machines, when not in use to minimise standby power consumption
	Opt for office equipment with energy efficiency ratings to enhance energy efficiency
Saving electricity usage from manufacturing processes	Conduct daily equipment inspections by assigned engineers
	Power down machinery/equipment not in use for extended periods to reduce energy load
	Ensure power sockets are in good condition, equip switch boxes with leakage circuit breakers, and reinforce inspections by qualified electricians
	Maintain cleanliness and organisation in electrical distribution cabinets, regularly inspect equipment and potential hazards

In a strong effort to make our office more environmentally friendly and energy-efficient, our Group dedicated substantial resources and initiatives towards reducing electricity consumption. This commitment yielded results as our Group is working to achieve our the targets by lowering the electricity consumption intensity from air-conditioning units by 4%. We will continue to ensure a responsible energy management practices within our operations.

ENVIRONMENTAL PROTECTION (Continued)

Water Use Efficiency

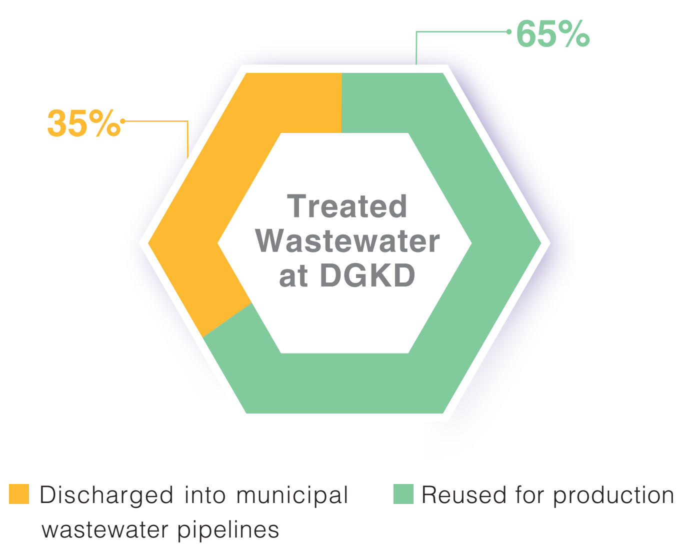
Our Group consistently practices water conservation and advocates for the reuse of treated wastewater. Monitoring daily water usage falls under the responsibility of the administration department. In cases where employees are found to be using water improperly, appropriate disciplinary measures will be taken by our Group.

Moreover, our Group actively utilises water-saving signage strategically placed throughout its facilities to remind employees of the importance of water conservation. These signs reinforce the message of responsible water usage in different areas of the workplace.

In addition to signage, our Group organises comprehensive water conservation training sessions for employees. These training programs aim to educate staff members on the significance of water conservation, providing them with practical tips and techniques to minimize water wastage in their daily tasks.

Furthermore, our Group displays informative posters that highlight the benefits of water conservation and practical steps that individuals can take to reduce water consumption. These posters serve as a tool to enhance employees' awareness, effectively communicating our Group's commitment to sustainable water management practices and encouraging employees to actively participate in conservation efforts. Through a multi-faceted approach that includes signage, training, and informative posters, our Group strives to instil a sense of environmental stewardship among its workforce, demonstrating its dedication to sustainable water usage and environmental responsibility.

At GZXH, treated wastewater is repurposed as cooling water or for irrigation. Meanwhile, at DGKD, 65% of treated wastewater is reused for production purposes following on-site treatment, while the remaining 35% is discharged into municipal wastewater pipelines.



ENVIRONMENTAL PROTECTION (Continued)

Water Use Efficiency (Continued)

Our Group has implemented the following management measures to reduce water consumption and ensure rational use of water resources:

Water Resources Management	
Water Conservation in Production Lines	Maximise the reuse of water Prohibit the use of drinking water for non-potable purposes, such as cleaning tasks Regularly inspect all water systems and equipment and promptly address any leaks
Water Conservation in Domestic Use	Ensure the responsible utilisation of water resources across all departments Enforce water-saving regulations for employees residing in staff dormitories Educate cleaning staff on the efficient use of water during daily cleaning tasks and encourage water reuse when suitable Improve the maintenance and repair of pipelines, valves, joints, and fixtures to promptly fix any leaks and damages

In pursuit of further reducing water consumption, our Group has successfully achieved our target to decrease water consumption intensity by 2% in 2024 (compared to the baseline).

ENVIRONMENTAL PROTECTION (Continued)

Packaging Materials

Our Group has employed a variety of packaging materials derived from both renewable sources like wood-based, paper, and pulp products, as well as non-renewable sources such as plastic. Despite not having established formal guidelines regarding the incorporation of recycled content in their packaging materials, our Group has taken steps to reuse paperboards and thermoform for packaging applications.

Looking ahead, our Group is committed to exploring opportunities that will allow for the optimisation of packaging material use. This exploration may involve initiatives to increase the recycled content in packaging materials, enhance the efficiency of packaging designs to reduce waste, or implement innovative solutions for sustainable packaging practices.

By proactively seeking ways to improve the sustainability of their packaging processes, our Group demonstrates a commitment to environmental responsibility and a willingness to adapt our practices to align with the aims of resource conservation and waste reduction.

Climate Resilience

Climate change impacts not only our environment but also has financial implications for our business. Climate risks include disruptions in production and damage to production bases, raw materials, and products caused by extreme weather events such as flooding and typhoons. Identifying and managing these associated opportunities and risks is crucial for our business operations.

Our group has taken steps to disclose climate-related information in alignment with the four core elements of the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations on climate-related financial disclosure: Governance, Strategy, Risk Management, and Metrics and Targets.

Strategic Planning for Climate Risks

The Board has acknowledged the impact of climate change on our business and has begun incorporating climate-related risks and opportunities into strategic planning and business decisions. An increasing number of investors are focusing on our Group's climate risks and opportunities, expecting our Group to disclose its climate-related risk management policies and plans. Consequently, the Board has mandated that the companies within our Group develop climate-related risk management policies and plans, along with indicators and targets to monitor and evaluate these risks and opportunities. Additionally, the Board plans to engage with relevant stakeholders, including NGOs, academic institutions, and industrial associations, to better understand and respond to climate-related risks and opportunities.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Strategic Planning for Climate Risks (Continued)

The Board has assigned responsibilities to the ESG Committee and management to assess and manage climate-related risks and opportunities. The process includes:

Understanding the significance of climate-related issues

Management must comprehend the impacts of climate change on business and the challenges and opportunities it presents.

Analysing and evaluating the climate-related risks and opportunities

Through risk assessment and other methods, management must identify and evaluate the climate-related risks and opportunities the Group may face, providing a basis for decision-making.

Developing climate-related strategies and policies

Management must create climate-related strategies and policies, including setting targets, implementing action plans, and optimising business models.

Allocating responsibilities and implementation

To ensure effective implementation and supervision of climate-related strategies and policies, management must identify relevant departments and responsible individuals.

Monitoring and reporting on climate-related performance

Management must establish a mechanism to regularly monitor and report on the Group's climate-related performance and management effectiveness, and disclose relevant information to stakeholders.

As climate change intensifies and opportunities become more apparent, the Board and our Group will continue to manage climate-related risks and opportunities and address them with appropriate measures.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Identifying Climate Risks and Impacts

Our Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting our Group are shown below.

Climate Risks		Time horizon	Trend	Potential Financial Impact
Physical Risks	Acute	Short term	Increase	Intense weather occurrences, characterised by heightened severity in cyclones, hurricanes, storm surges, and floods, have the potential to disrupt supply chains. This disruption may manifest through the damaging effects on local infrastructure, potential harm to production facilities and equipment, as well as disruptions to human resources.
	Chronic	Medium to long term	Increase	Prolonged changes in climate patterns have the potential to elevate capital costs, operational expenses, human resource costs, and insurance premiums. Additionally, the increasing risk of diminished insurance availability for assets located in regions is prone to natural disasters.
Transition Risks	Policy and Legal	Long term	Increase	Following the enforcement of more stringent environmental regulations and the adoption of a carbon pricing mechanism, our Group anticipates a rise in operational expenses. Moreover, there is a likelihood of increased costs stemming from penalties and legal actions in cases of non-compliance with the newly introduced regulations.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Identifying Climate Risks and Impacts

Climate Risks		Time horizon	Trend	Potential Financial Impact
Transition Risks	Technology	Long term	Increase	Throughout the transitional phase, our Group foresees elevated research and development ("R&D") and/or procurement costs to integrate new and alternative technologies aimed at reducing the environmental impacts of our products. Additionally, there will be supplementary expenses associated with implementing and incorporating new practices and procedures, as well as advancing renewable energy initiatives.
	Market	Long term	Increase	The industry in which our Group operates depends on various essential materials as crucial components for our final products. Failure to effectively address material shortages, disruptions in the supply chain, and price fluctuations could heighten supply-related risks. This, in turn, may result in challenges accessing vital materials, diminished profit margins, restricted revenue expansion, and/or increased costs of capital.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Identifying Climate Risks and Impacts

Climate Risks		Time horizon	Trend	Potential Financial Impact
Transition Risks	Reputation	Long term	Increase	Our Group's primary lenders may incorporate climate risks into our due diligence procedures, leading to stricter lending standards. Consequently, our Group could encounter increased obstacles in obtaining loans in the future, potentially affecting its cash flow and liquidity if adequate strategies are not in place. Moreover, if materials are procured from opaque supply chains, stakeholders' apprehensions and adverse reports regarding the supply chain could diminish investor confidence, impacting our Group's stock price and market capitalisation. Consequently, this could elevate liquidity risks for our Group.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Climate-related Opportunities

In addition to the risks outlined earlier, our Group is actively exploring opportunities presented by climate change. These opportunities include:

Climate-related Opportunities		
1)	Financial Support	Our Group can capitalise a growing trend of environmental awareness among investors and financial institutions to secure additional financial backing by demonstrating environmental excellence, facilitating the sustainable growth of its business.
2)	Technological Advancements	With climate change fostering innovation in energy technologies and low-carbon solutions, our Group can enhance its competitiveness and innovation capabilities by investing in research and development to incorporate these advancements.
3)	Market Expansion	The evolving landscape due to climate change has given rise to new markets like renewable energy and carbon trading. By introducing new products or services, businesses can position themselves in these emerging markets to diversify and expand their operations.
4)	Enhanced Reputation	Proactive engagement with climate change and sustainable practices can enhance our Group's brand image and reputation, attracting greater support from investors and stakeholders.

To capitalise on these opportunities, our Group plans to improve our technological innovation by increasing research and development investments in environmental and sustainable technologies. Additionally, our Group intends to strengthen collaborations with governmental and social entities to secure resources for implementing sustainable development initiatives. For instance, our Group has partnered with Guangzhou Ganghua Energy Development Co., Ltd. to install photovoltaic panels at GZXH.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Climate Risk Management

Our Group has established a comprehensive framework for assessing and managing climate-related risks, recognising the significance of proactive risk management in the face of evolving environmental challenges. By implementing robust protocols, our Group aims to effectively evaluate and address potential threats stemming from climate change that could impact its operations and overall sustainability. This structured approach underscores our Group's commitment to resilience and responsible business practices in the realm of climate risk management.

Definition of Climate-related Risk Levels	
High	Risks at this level are anticipated to carry significant repercussions, potentially leading to impacts on our Group and posing obstacles to the achievement of strategic objectives.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher.
Low	Risks at this level have limited harm and consequences for our Group to achieve its strategic goals, and the probability of occurrence is low.

Our Group has a systematic approach to assess and manage climate-related risks. Initially, relevant climate-related risks are identified by analysing historical climate data, projections, and industry trends. Following this, the likelihood and impacts of these climate-related risks are evaluated considering climate change trends and industrial characteristics. Tailored strategies are then designed to mitigate these climate-related risks, potentially involving adjustments to business plans, supply chains, and risk transfer measures. Continuous monitoring and evaluation ensure the effectiveness of these strategies, with prompt adjustments made as needed.

Additionally, an ESG risk assessment categorises risks into high, medium, and low levels based on their possibility and impact, aiding in prioritising and classifying overall risk levels for targeted risk management efforts.

The overall risk levels of our Group’s identified risks and their management approaches are shown below. The risks levels are expected to increase in trend. The table below displays the identified risk Levels of physical and transition risks.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Climate Risk Management (Continued)

Physical Risks		Transition risks	
Climate Risks	**Overall Risk Level**	**Climate Risks**	**Overall Risk Level**
Acute	Low	**Policy and Legal**	High
Chronic	Low	**Technology**	Low
		Market	High
		Reputation	Medium

Examples of extreme weather events include storms, floods, droughts, high temperatures, hail, snowstorms, hurricanes, and other such occurrences. Our Group is actively involved in production and sales operations. Over the past decade, there have been no significant extreme weather events in the regions where it operates. With diversified raw material supplies and sales across different geographical areas, our Group's exposure to physical risks has remained relatively low.

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Climate Risk Management (Continued)

In response to China's commitment to peak carbon neutrality by 2030 and achieve full carbon neutrality by 2060, environmental regulations have been tightened, and efforts to promote renewable energy have been accelerated. Given the substantial impact of national policies on our Group's development as a domestic production-focused entity, our Group has taken specific actions in response to identified transition risks:

- Enhancing compliance with environmental laws to prevent pollution at the source, mitigating the risks of legal actions and penalties

- Developing detailed environmental and social strategies focusing on carbon emission reduction, the promotion of renewable energy adoption, and pollution control

- Implementing and advancing low-carbon production technologies within its operations

- Improving energy efficiency to minimise unnecessary energy consumption

- Investing in research and development of environmentally friendly products to meet the demands of customers and stakeholders, thereby enhancing the Group's positive brand image

ENVIRONMENTAL PROTECTION (Continued)

Climate Resilience (Continued)

Metrics and Targets

To measure the level and impacts of climate-related risks within our Group, metrics and indicators are systematically tracked to facilitate a thorough and quantitative evaluation. Our Group consistently oversees and evaluates the following facets along with their respective indicators.

Climate Metrics and Indicators Monitored by our Group	
Aspects	**Indicators**
Climate Change	Temperature, rainfall, sea level rise and extreme weather events
Carbon Emissions	Scope 1, Scope 2, Scope 3 GHG emissions (in tonnes of carbon dioxide equivalent (“tCO_2e”)), total GHG emissions (in tCO_2e) and the GHG emission intensity (in tCO_2e/employee) as shown in the section “Environmental Performance” of this Report
Energy and Resources Utilisation	Energy consumption (in MWh) and its intensities (in MWh/employee) as shown in the section “Energy Consumption” of this Report
Renewable Energy Use	Renewable energy use as shown in the section “Energy Consumption” of this report and renewable energy target set and its performance review as shown in “Targets and Performance Review” of this Report

ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5]

Our Group's environmental performance data during the Reporting Period and in 2023 are summarised in the table below.

Air Emissions

During the Reporting Period, our Group utilised various types of fuel for machinery operation. The consumption of LPG in GZXH resulted in the generation of SOx and NOx, as shown in the following table. Additionally, the use of LPG also led to GHG emissions, with relevant data provided in the table below. It is important to note that since the canteen operations in GZXH have been outsourced to a third-party company, the fuel consumption associated with the canteen was not included in the calculations.

Air Emissions		Unit	2024	2023
Mobile Fuel Combustion[6]	**Gasoline[7]**	NOx (kg)	10.87	29.71
		SOx (kg)	0.22	0.28
		PM (kg)	0.80	2.54
Gaseous Fuel Emissions	**LPG**	NOx (kg)	2.67	3.16
		SOx (kg)	0.01	0.02
	Diesel	SOx (kg)	0.73	/
		Total:	**15.30**	**35.71**

GHG Emissions

During the Reporting Period, our Group's business activities resulted in GHG emissions totalling 30,409.09 tCO_2e, primarily consisting of carbon dioxide, methane, and nitrous oxide. During the Reporting Period, the overall intensity of GHG emissions is 17.10 tCO_2e per employee (compared to 14.99 tCO_2e per employee in 2023).

The reported GHG emissions encompass the following activities and scopes:

- Direct (Scope 1): GHG emissions from the consumption of stationary and mobile sources, including diesel, LPG, natural gas, and gasoline.
- Energy Indirect (Scope 2): GHG emissions from purchased electricity.
- Other Indirect (Scope 3): GHG emissions from waste paper landfilling, municipal freshwater and sewage processing, and business air travel.

5 The calculation had referred to GHG Protocol — Emission Factors from Cross-Sector Tools and the published emission factors of the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx, unless stated otherwise.
6 This air emissions (non-GHG) are from vehicle operations.
7 No diesel used for mobile vehicles as the light good vehicles were scrapped.

ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

GHG Emissions (Continued)

GHG Emissions	Emission Sources		2024 GHG Emission (in tCO_2e)	2024 Sub-total (in tCO_2e)	2023 GHG Emission (in tCO_2e)	2023 Sub-Total (in tCO_2e)
Scope 1 Direct Emissions	Combustion of fuels in stationary sources	Diesel	118.28	137.12	47.98	148.65
		LPG [8]	15.76		47.36	
		Natural gas	3.08[9]		2.81[10]	
	Combustion of fuels in mobile sources	Gasoline	35.11		50.50	
Scope 2 Energy Indirect Emissions[11]	Purchased electricity		29,951.94	29,951.94	27,513.80	27,513.80
Scope 3 Other indirect emissions	Paper waste disposal at landfills		49.70	320.03	40.24	235.36
	Electricity used for freshwater processing		208.34		134.86	
	Electricity used for sewage processing		17.53		15.17	
	Business air travel by employees[12]		44.46		45.09	
Total of GHG Emissions:				**30,409.09**		**27,897.81**
Emission Intensity (in tCO_2e/employee):				**17.10**		**14.99**

8 Emissions from combustion of LPG in stationary sources were calculated per Department for Business, Energy & Industrial Strategy ("BEIS").

9 This is calculated by using the GHG Protocol tool: GHG Emissions from Stationary Combustion with the emission factor 1.91 for natural gas.

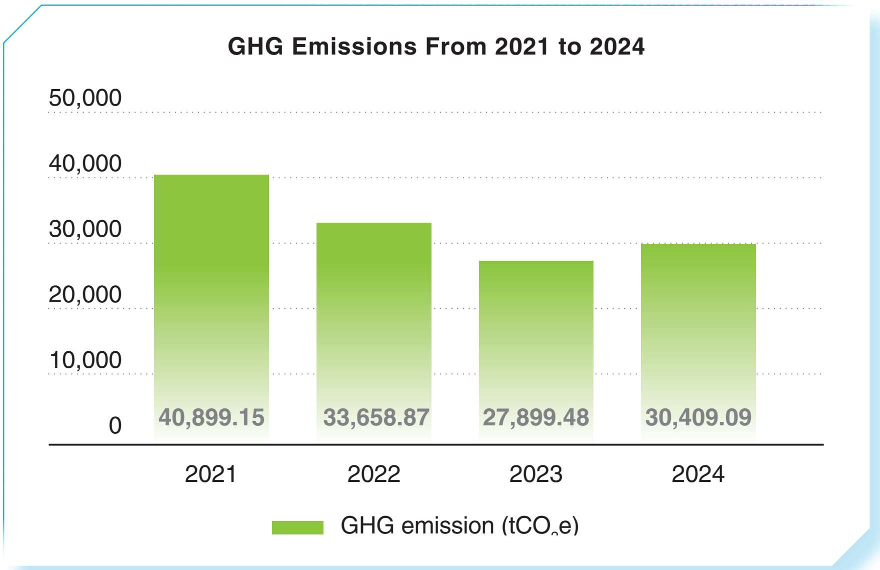
10 Emissions from combustion of natural gas in stationary sources were calculated per GHG Protocol tool: GHG Emissions from Stationary Combustion.

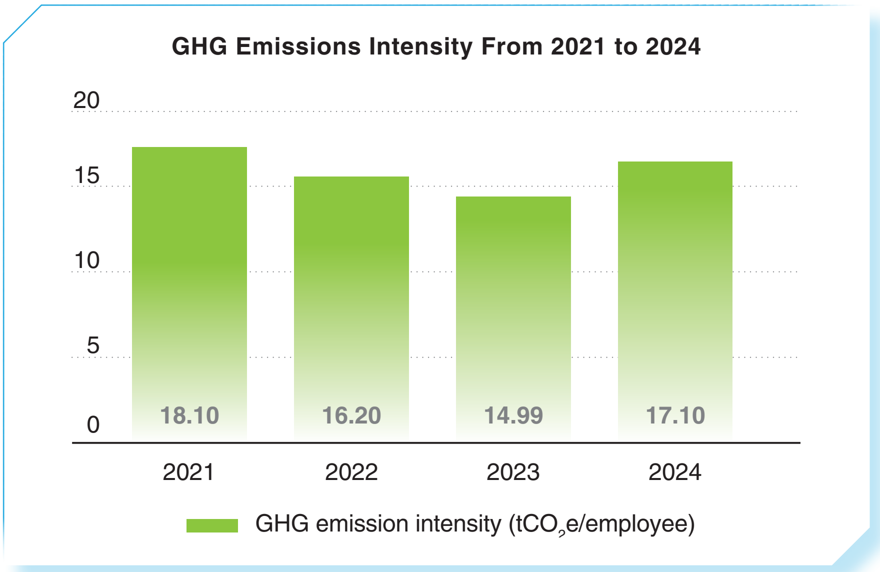
11 Emission factors of LPG and natural gas suppliers were not available, hence indirect emissions from LPG and natural gas were not included.

12 Emissions were calculated using the online tool provided by the International Civil Aviation Organization.

ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)





ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

Hazardous Waste

During the Reporting Period, our Group generated a total of 3,177.42 tonnes of hazardous waste, resulting in an overall intensity of 1.79 tonnes per employee (compared to 1.13 tonnes per employee in 2023). All hazardous waste is managed in compliance with applicable national regulations and international standards, including the Prevention and Control of Environmental Pollution by Solid Waste of the PRC and the ISO 14001 standard for the safe handling and storage of hazardous materials.

Our Group is committed to minimising hazardous waste, which poses risks to both health and the environment. Recognising that sludge is the primary source of hazardous waste, our Group has successfully achieved our target to reduce sludge generation intensity by 5% by 2024.

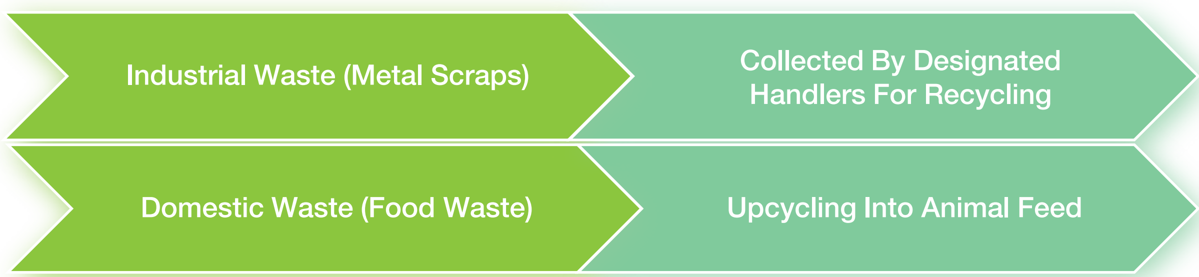
Types of Hazardous Waste	2024 Hazardous Waste Amount (in kg)	2024 Treatment Method
Waste oil	85,471	Incinerated or collected and treated by government certified handler
Oil- and chemical-contaminated materials (e.g., waste oil tanks and bottles, cleaning products and waste packaging)	1,446,020	Incinerated, recycled or landfilled by government certified handler
Sludge	142,170	Treated or landfilled by government certified handler
Waste chemical liquids	17,020	Incinerated or treated by government certified handler
Waste activated carbon	1,550	Treated by government certified handler
Scrap iron	1,485,190	Sold
Total hazardous waste:	3,177,421	
Intensity (in tonnes/employee):	1.79	

ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

Non-Hazardous Waste

Our Group generated a total of 147,255.36 kg of non-hazardous waste during the Reporting Period, primarily consisting of waste office paper, industrial and domestic waste. The overall intensity was 0.08 tonnes per employee (compared to 0.07 tonnes per employee in 2023). The industrial waste mainly comprised metal scraps resulting from production processes, all of which were collected by designated handlers for recycling. Other types of non-hazardous waste included non-office paper waste, food waste, and packaging materials. The food waste generated in the canteen was collected by local authorities for upcycling into animal feed.



Types of Non-Hazardous Waste	Non-Hazardous Waste Amount (in kg)	Treatment Method
Waste office paper[13]	15,990.00	Landfilled
Metal, glass, and plastic waste	103,002.00	Recycled by downstream industry
Waste packaging materials (e.g., wooden pallets)	19,439.36	Recycled by downstream industry
Food waste	8,824.00	Collected by third-party for composting
Total non-hazardous waste:	147,255.36	
Intensity (in tonnes/employee):	0.08	

[13] Under the assumption that all paper, whether is stored or purchased within our Group boundary, will eventually be disposed of in landfills unless collected and recycled.

ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

Energy Consumption

Our Group's total energy consumption during the Reporting Period was 49,865.28 MWh, resulting in an overall energy intensity of 28.05 MWh per employee (compared to 26.24 MWh per employee in 2023). The energy sources used included electricity, natural gas, LPG, gasoline, and diesel. The table below details the energy consumption by type and the corresponding energy intensity.

2024 Energy Consumption[14] Direct/indirect Energy Sources	Consumption (Unit)	Consumption (MWh)	Energy Intensity (MWh/ employee)
Electricity	49,093.49 (MWh)	49,093.49	27.61
Natural gas for machinery in JSKM	1,612 (m^3)	15.04	0.01
LPG – for heat treatment production	13,630.00 (kg)	167.35	0.09
Gasoline – for vehicles in four sites	14,878.81 (litres)	135.49	0.08
Diesel – for machinery use	45,250.00 (litres)	454.01	0.26
Total		49,865.38	28.05

14 The energy consumption in this table excluded the solar energy generated and used by our Group.

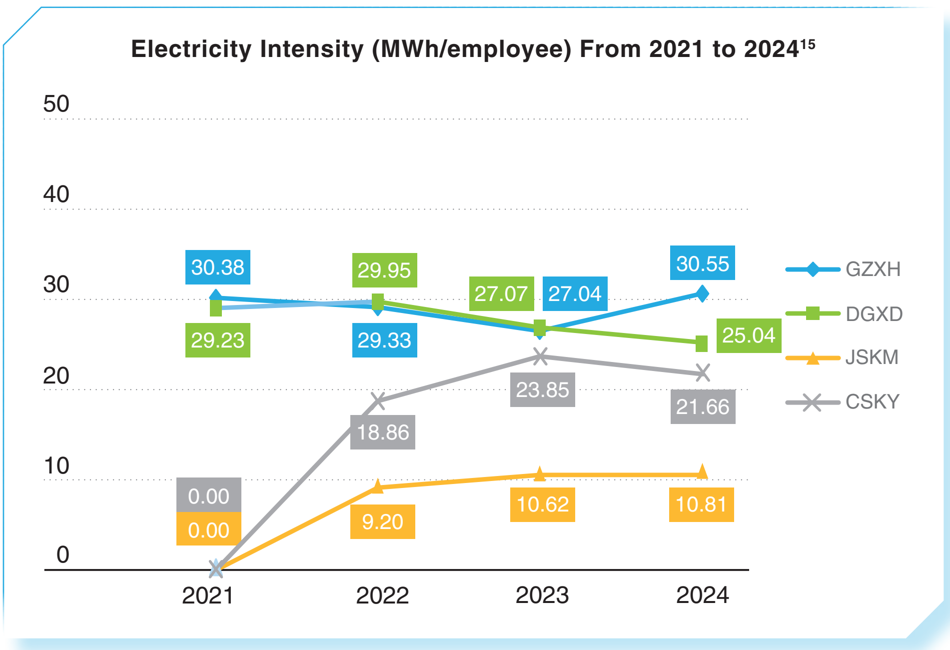
ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

Energy Consumption (Continued)

Electricity consumption totalled 49,093.49 MWh, representing 98% of our Group's total energy consumption during the Reporting Period, and resulting in an overall intensity of 27.61 MWh per employee (compared to 2023 which was 48,244 MWh).

2024 Electricity Consumption		
Operational sites	2024 Consumption (MWh)	2024 Intensity (MWh/employee)
GZXH	37,545.74	30.55
DGKD	5,559.49	25.04
CSKY	4,896.06	21.66
JSKM	1,092.2	10.81
Total:	49,093.49	27.61



15 CSKY and JSKM were not within the reporting scope of Report in financial year 2021. Therefore, data was not recorded and the electricity intensities for CSKY and JSKM were zero in financial year 2021.

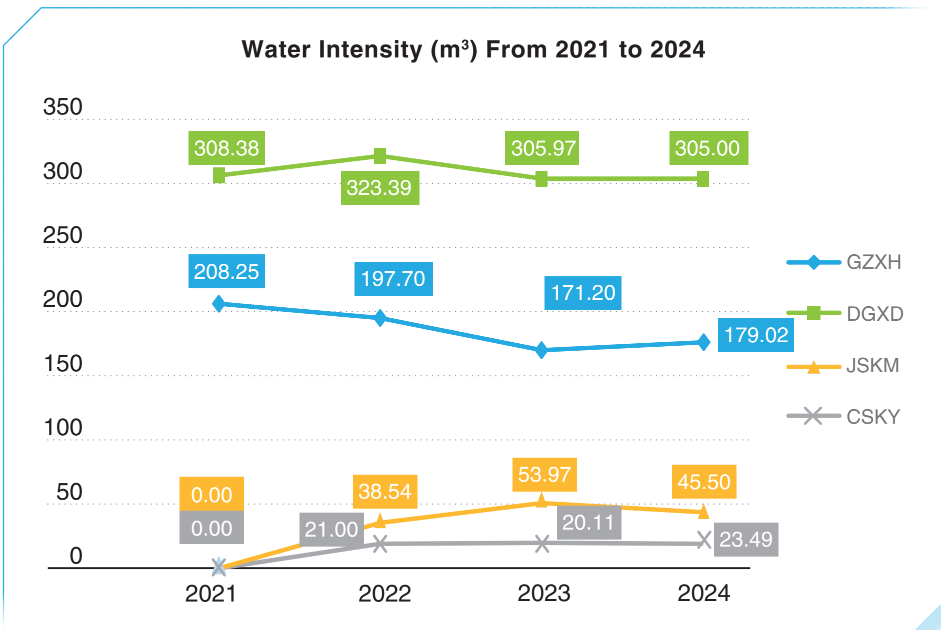
ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)

Water Consumption

During the Reporting Period, our Group's total water consumption is 297,628 m^3 (compared to 310,013 m^3 in 2023), resulting in an overall water intensity of 167.39 m^3 per employee (increased 0.81 m^3 per employee compared to 2023) during the Reporting Period. All operating sites sourced their water from municipal tap water for both manufacturing and domestic purposes. No issues on sourcing water that is fit for purpose were reported during the Reporting Period. Overall, water intensity is decreased by 0.49% compared to the last Reporting Period, primarily due to the inclusion of new entities in the reporting scope.

Site	2024 Water Consumption (m^3)	2024 Water intensity (m^3/employee)
GZXH	220,012.00	179.02
DGKD	67,711.00	305.00
CSKY	5,309.00	23.49
JSKM	4,596.00	45.50
Total:	297,628.00	167.39



ENVIRONMENTAL PROTECTION (Continued)

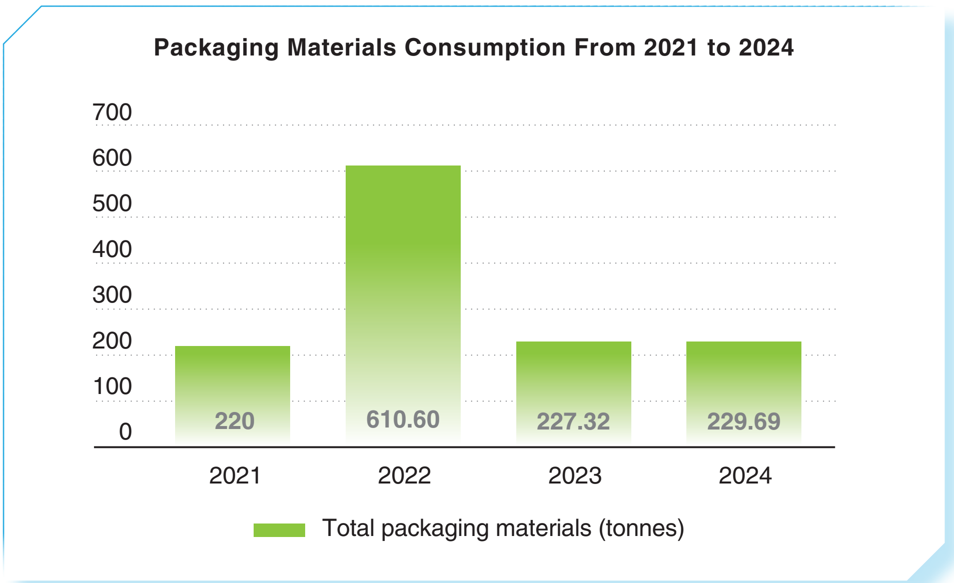
Environmental Performance[5] (Continued)

Water Intensity (m3) From 2021 to 2024 (Continued)

Our Group's wastewater is primarily produced during different stages of production activities, such as the operation of ultrasonic cleaning machines, the cleaning of grinding machines, and routine workplace cleaning. GZXH has enhanced its wastewater treatment facility to increase its treatment capacity. Wastewater from our Group's operations in China is closely monitored to ensure compliance with the permissible limits established by the Emission Limit of Water Pollutants (DB44/26-2001) in Guangdong Province.

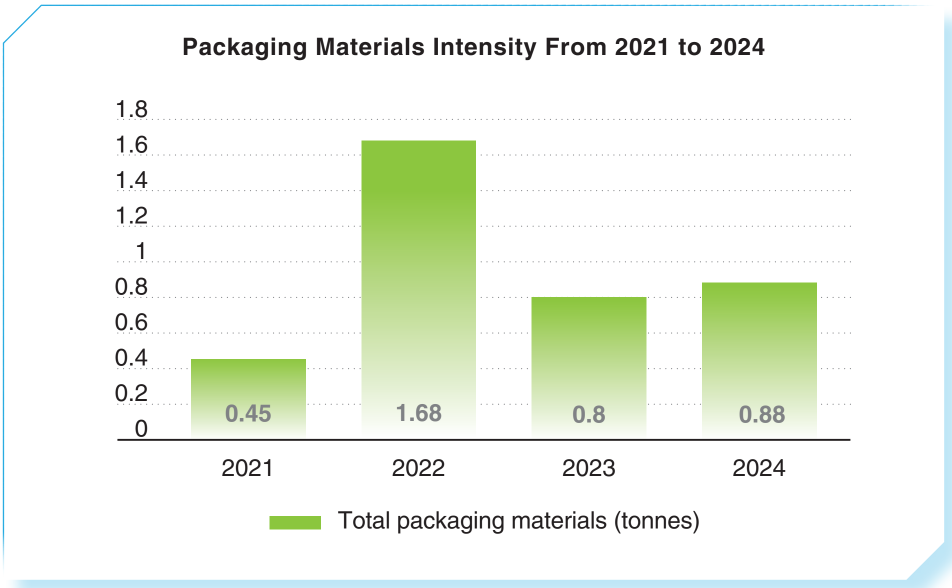
Packaging Materials

Our Group's packaging materials are composed of both renewable resources (such as wood-based, paper, and pulp products) and non-renewable resources (like plastic). While our Group has not implemented formal policies regarding the recycled content of packaging materials, our Group has been reusing paperboards and thermoforms for packaging and are exploring ways to optimise packaging material usage. During this Reporting Period, our Group consumed approximately 229.69 tonnes of packaging materials (compared to 227.32 tonnes in 2023), resulting in an intensity of 0.88 kg per 1,000 units produced (compared to 0.80 kg per 1,000 units in 2023).



ENVIRONMENTAL PROTECTION (Continued)

Environmental Performance[5] (Continued)



SOCIAL RESPONSIBILITIES

Employment and Labour Practices

Our Group strictly complies with national and local laws and regulations concerning employment and labour practices, including,

Social Laws and Regulations
• Labour Law of the PRC
• Labour Contract Law of the PRC
• Law on the Protection of Minors
• Law on the Protection of Disabled Persons
• Law on Labour Unions of the PRC

During the Reporting Period, no instances of non-compliance with pertinent laws and regulations that carry substantial implications for our Group, such as those concerning compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare, were detected.

Our Group places a strong emphasis on prioritising the well-being and rights of its employees. Our commitment to employee care is evident through the comprehensive Staff Management Manual, which outline our Group's employment and labour-related policies, procedures, and regulations.

This manual covers a wide array of crucial aspects concerning staff management, including recruitment practices, compensation structures, dismissal protocols, promotion criteria, provisions for various types of leaves (such as holiday, paid, sick, and compassionate leave), requirements for attendance at work, remuneration guidelines, and data protection protocols. By adhering to these detailed guidelines, we ensure that our employees are treated fairly, equitably, and in accordance with the highest standards of labour practices.

SOCIAL RESPONSIBILITIES (Continued)

Employment and Labour Practices (Continued)

Additionally, all the workers performing work for our Group are employees and our Group does not have workers who are not employees. As of the end of the Reporting Period, the total number of employees was 1,778. As part of our employment strategies, all of our employees are full-time employees, ensuring a sustained production capacity. The employment figures as of the end of the Reporting Period are shown below:

Employee Profile		2024
Total Number[16][17]		1,778
By gender	Male	1,087 (61.14%)
	Female	691 (38.86%)
By age group	Below 30	386 (21.71%)
	30 – 50	1,076 (60.52%)
	Over 50	316 (17.77%)
By geographical region	China	1,778 (100%)
By employment type	Senior Management	12 (0.67%)
	Middle Management	48 (2.70%)
	General Staff	1,718 (96.63%)

During the Reporting Period, the employee turnover rate was 32.40%. The detailed breakdown is presented in the table below:

Employee Turnover Rate[18]		2024
Total Turnover Rate		32.40%
By gender	Male	36.89%
	Female	25.33%
By age group	Below 30	90.16%
	30 – 50	14.41%
	Over 50	23.10%
By geographical region	China	32.40%

16 The number excludes the Directors.

17 The data has not included employees who left our Group within 3 months since the work period for part time or temporary staff hired for short-term work purposes was usually within 3 months.

18 The turnover rate was calculated by (number of employees leaving our Group during the Reporting Period/number of employees as of 31 December of the Reporting Period)* 100%.

SOCIAL RESPONSIBILITIES (Continued)

Employee Recruitment and Retention Strategy

Our Group places significant emphasis on recruiting and retaining top-tier employees and attracting individuals who bring value to our Group. Adhering to relevant laws and regulations, including the Labour Law of the PRC, our Group's recruitment process is conducted in a fair, transparent, and unbiased manner, focusing on objective criteria such as professional qualifications and required skill sets. A recruitment strategy aimed at engaging recent graduates is strategically devised to appeal to highly motivated candidates.

To foster and retain talent, our Group offers supportive pathways for employee advancement. Acknowledgment of exceptional employee performance is carried out through formal appraisal evaluations. Furthermore, our Group has established strong partnerships with local colleges and universities to cultivate and attract talented individuals.

Competitive Compensation and Benefits Package

Our Group ensures that employees receive competitive compensation and benefits, following the principle of pay equity and regularly assessing market data to establish competitive pay structures. Beyond base salaries, employees enjoy an appealing benefits package that includes training subsidies, discretionary performance bonuses, and a wide range of leave entitlements. Social insurance and provident funds are provided in compliance with local government regulations for PRC employees who have formal employment contracts with our Group. GZXH and DGKD offer high-temperature subsidies to employees working in outdoor conditions, while JSKM arranges annual health check-ups for eligible staff members.

To keep employees informed, our Group communicates significant operational and business changes through written and verbal means. Employees and their representatives receive notification at least three weeks prior to the changes taking effect.

Diversity and Inclusion

Our Group is committed to establishing an inclusive workplace where all employees are treated with equality and fairness. The Code of Conduct, equal opportunity policy, and anti-discrimination practices outlined in the Staff Management Manual serve to uphold employees' rights and shield them from discrimination based on factors such as gender, nationality, ethnic background, religion, political beliefs, age, and more. Equal opportunities are extended to all employees concerning promotions, performance evaluations, training, development, and other facets of the workplace.

In alignment with applicable laws and regulations, our Group actively hires individuals with disabilities and those from disadvantaged backgrounds, offering them employment protection and encouraging their participation in corporate management training programs. During the Report Period, our Group did not receive any discrimination cases reported by employees.

SOCIAL RESPONSIBILITIES (Continued)

Employee Recruitment and Retention Strategy (Continued)

Relationship with Employees

Our Group values the communication with our employees. Our Group employs a variety of multimedia platforms, such as emails, WeChat public accounts, and Douyin, to deliver valuable information and updates about company events. Additionally, direct communication with employees is maintained through phone calls and regular meetings. Various recreational and cultural activities are organised across different operations to foster a sense of community among employees. Birthday gifts are provided to employees during their birthday months.

We believe that strong relationships and a sense of community are essential for both personal and professional growth. Therefore, we regularly organise team-building activities and annual dinners, providing opportunities for our staff to connect, collaborate, and celebrate their achievements together. During the Reporting Period, team building events such as badminton games, team-building marathon, and table tennis competitions were held, receiving positive feedback from employees.

Apart from organising social events, we established a IPE College of Engineering in GZXH, cultural and sports clubs since 2023, along with classes like yoga, to enhance employees' lives beyond work. Our Group conducts annual employee satisfaction surveys to gather feedback and concerns, subsequently developing special improvement initiatives and implementing employee welfare measures based on survey results.

SOCIAL RESPONSIBILITIES (Continued)

Employee Recruitment and Retention Strategy (Continued)

Relationship with Employees (Continued)

This year, our Group hosted a ceremony to honour the remarkable teamwork of our employees, which has been instrumental in our collective success. As we continue to navigate the challenges of our industry, we remain focused on harnessing the power of our workforce to drive positive change and create a brighter future for all.

Annual Celebration: Uniting Hearts and Minds, Winning the Future

Work Health and Safety

Due to the nature of our operations, our Group prioritises the provision of a secure and accident-free work environment for our employees. Adhering strictly to relevant laws and regulations, including the Prevention and Control of Occupational Diseases Law and the Law on Safety Production in the PRC, our Group did not encounter any instances of non-compliance with significant implications for our Group in terms of occupational health and safety during the Reporting Period.

Regular monitoring of workplace noise levels and indoor air quality (monitoring dust and chemical pollutants) at designated sensitive locations ensures compliance with relevant national and local regulations. To protect frontline workers from occupational hazards, appropriate personal protective equipment is supplied to all frontline workers on assembly lines.

Traffic management practices involve segregating pedestrians and vehicles through distinct entry and exit points. During peak hours, forklift usage within the facilities is regulated to prioritise pedestrian safety. Acknowledging the importance of ensuring employees' health and safety in extreme heat conditions, JSKM provides subsidies to workers required to operate outdoors in hot weather and offers cooling beverages in the canteens.

SOCIAL RESPONSIBILITIES (Continued)

Work Health and Safety (Continued)

Contingency plans and emergency procedures are outlined in the Emergency Evacuation Management Procedure to address foreseeable workplace emergencies. The Fire Control Equipment Management Procedure governs fire safety measures throughout manufacturing processes. Annual fire drills organised by the administration department familiarise all employees with evacuation routes during emergencies. Regular inspections of fire protection systems uphold compliance with industry standards. Both GZXH and DGKD have been recognised with Safety Production Standardisation certifications since 2019. Our Group is pleased to announce that there have been no employee fatalities within our Group over the past four Reporting Years.

OSH Data	2024	2023	2022	2021
Total working hours by all workforce	**3,695,272**	5,689,411	4,775,196	5,553,510
Number of work-related fatalities	**0**	0	0	0
– Work-related fatality rate	**0%**	0%	0%	0%
Total lost days	**714**	636.5	284	349
– Lost day rate (“LDR”)	**38.64**	22.37	11.89	13.29
Number of work-related injuries	**24**	25	40	32
– Injury rate (“IR”)	**1.30**	0.88	1.86	1.22
Number of occupational diseases	**0**	1	1	0
– Occupational diseases rate (“ODR”)	**–**	0.04%	0.04%	–
– Absentee rate (“AR”)	**1.04%**	0.06%	0.05%	0.24%

Development and Training

Our Group's comprehensive training and development strategy is cantered on cultivating talents through well-structured internal and external training initiatives. Employee Training Management Regulations have been established to guide this process. Training needs analysis is carried out to align with our Group’s overarching goals and priorities, identifying development requirements across various levels and departments within our Group. Training sessions are scheduled based on monthly plans, with continuous assessment of learning outcomes to enhance program effectiveness.

SOCIAL RESPONSIBILITIES (Continued)

Development and Training (Continued)

Internal training programs cover a wide spectrum, encompassing core competencies, management skills, and professional development to bolster employees' abilities and enhance production efficiency. External training is provided to employees with specialised roles to boost our Group's competitiveness in the industrial electronics sector. Managers receive training tailored to their specific functions, including general, research and development, production, and quality assurance training. New employees undergo induction training, and performance evaluations are conducted regularly to identify training needs and ensure the proficiency of all staff members. Our Group launched operation safety training and conducted a safety inspection for the entire plant to rectify any potential safety hazards and to safeguard the lives and safety of our employees.

At GZXH, employees are encouraged to pursue further education, with full support extended for applications for local government funding, such as the continuing education grant offered by the Guangdong Provincial Federation of Trade Unions.

Our Group is committed to ongoing investment in internal talent development. Since 2020, the establishment of the IPE College of Engineering in GZXH has been a significant initiative aimed at nurturing industry talents in alignment with our Group's business development plans. This institute acts as a talent incubator, offering a wide range of training opportunities for key employees to enhance their core competencies and professional skills.

Employees in various roles and departments, including managers, engineers, and senior technicians, benefit from instructor-led sessions and hands-on training provided by the Institute. A credit-based system is in place, requiring learners to fulfil a minimum of 20 course credits annually. Through the establishment of this Institute, our Group is dedicated to cultivating a pipeline of high-quality talents to support organisational growth and facilitate business transformation.

During the Reporting Period, our Group provided 13,560 training hours for a total of 1,574 employees, including the employees who have left our Group during the Reporting Period. The average training hours per employee was 7.63 hours (comparing to 9.11 hours in the last Reporting Period).

Employee Training		2024	2023
Total number of trained employees		1,574	1,534
Total number of training hours		13,560	16,957
Average training hours[19] per employee (% of employees who received training)[20]		7.63 (89%)	9.11 (82%)
By gender	**Male**	7.97 (89%)	9.67 (86%)
	Female	7.09 (87%)	8.35 (78%)
By employment type	**Senior Management**	5.75 (100%)	8.07 (79%)
	Middle Management	6.21 (83%)	15.36 (98%)
	Frontline and other Staff	7.68 (89%)	8.96 (82%)

19 This is calculated by dividing the employees received training in the specified category by the average number of employees in the specified category.

20 The percentage of employees who received training includes employees who left our Group during the Reporting Period.

SOCIAL RESPONSIBILITIES (Continued)

Labour Standards

Child and forced labour are strictly forbidden within our Group. Adherence to relevant laws and regulations governing employment and labour standards, such as the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Minors, Prohibition of Child Labour, and Special Protection Provisions for Underage Workers, is rigorously upheld.

Our Group has established minimum age requirements, implemented an identification system, and enacted control measures to prevent the employment of child labour across all operational sites. During the recruitment process, the administration department meticulously verifies candidates' identities using documents like identity cards. New employee orientation includes education on labour standards. For candidates employed for key positions, such as management and executive positions, comprehensive background checks are conducted to validate personal credentials, including criminal records, education qualifications, work history, and past engagements.

In our Group, overtime work is only undertaken voluntarily and when necessary. Our Group strictly prohibits any form of punishment, management practices, or behaviours involving verbal abuse, physical discipline, coercion, sexual harassment, and similar offenses against its employees. Immediate termination of employment and appropriate disciplinary actions are taken against individuals found in violation of laws and regulations. Root cause analyses are performed with corrective actions implemented to prevent future occurrences.

No instances of non-compliance with laws and regulations concerning the prevention of child and forced labour were detected during the Reporting Period. Our Group's operational sites did not face significant risks associated with child and forced labour incidents.

Supply Chain Management

Our Group is committed to grow alongside our supply chain partners to enhance and enforce sustainable supplier management practices. In pursuit of this objective, our Group has implemented the Suppliers and Purchasing Management Procedure to oversee and assess the business activities of its suppliers. Regular inspections and evaluations are conducted to verify suppliers' adherence to the Supplier Code of Conduct and their compliance with safety management regulations stipulated in the Agreement on Trade Security. The Agreement outlines ethical and legal obligations, prohibiting suppliers from involvement in activities such as smuggling, selling counterfeit goods, tax evasion, and bribery.

SOCIAL RESPONSIBILITIES (Continued)

Supply Chain Management (Continued)

DGKD employs a rigorous supplier evaluation process to evaluate supply chain risks and select suppliers. In addition to assessing operational performance metrics like price, quality, manufacturing capabilities, and customer service, our Group also evaluates suppliers based on sustainability criteria. This includes considerations related to regulatory compliance, environmental management systems, ethical behaviour, and health and safety practices. Suppliers scoring no more than 14 points overall in the following two categories are required to have passed the risk assessment.

Environmental Risk Assessment in Supplier Selection		
Raw materials risk management	• Holding excess inventory of high-risk materials	Yes: 1; No: 0
	• Developing control procedures for high-risk materials	Yes: 0; No: 1
	• Complying with applicable standards for environmental assessment for high-risk materials	Yes: 0; No: 1
	• Accident(s) associated with raw materials occurred in the past five years	Yes: 1; No: 0
Environmental management system	• Holding valid pollutants discharge permits	Yes: 0; No: 1
	• Certified to the ISO 14001 standard	Yes: 0; No: 1
	• Holding materials of high toxicity	Yes: 1; No: 0
	• Following disposal limits for solid waste set forth in applicable laws/regulations	Yes: 0; No: 1

Our Group regularly reviews the environmental practices of our suppliers to ensure compliance with relevant environmental laws and regulations. Annual audits are conducted to verify the suppliers' environmental permits. Our Group continues to source raw materials from key suppliers located in the Organization for Economic Co-Operation and Development (OECD) regions. GZXH mandates that all products supplied meet the requirements of the Restriction of Hazardous Substances Directive (RoHS), and relevant documentation must be provided. During the Reporting Period, our Group engaged a total of 1,368 suppliers, with 99.56% of tool accessories, packaging materials, raw materials, and equipment procured from suppliers in Mainland China.

Country/region	Total Number of Suppliers	Supply
Mainland China	1,362	Tool accessories, packaging materials, raw materials and equipment
Europe (Italy and Germany)	4	Raw materials
United States	1	Raw materials
India	1	Equipment and accessories
Total	1,368	

SOCIAL RESPONSIBILITIES (Continued)

Product Responsibility

Product Labelling, Health and Safety and Advertising

To ensure product health and safety, GZXH conducts rigorous inspections from the raw materials procurement stage, verifying that incoming electronic components comply with the European Union's Restriction of Hazardous Substances (RoHS) regulations. Additionally, GZXH provides an International Material Data System (IMDS) report to customers to demonstrate product compliance.

Given the nature of our products, our Group does not implement specific programs for marketing communications, including advertising, promotions, or sponsorships. During the Reporting Period, neither our Group nor its products faced any market entry bans. No products were recalled for safety or health reasons, and no significant non-compliance issues related to health and safety, advertising, labelling, or privacy matters concerning products and services were identified.

Quality Assurance Management

As one of the leading component suppliers in the high-end automotive industry, our Group is committed to upholding the highest quality standards, with some of our production facilities having achieved ISO 9001:2015 Quality Management System certification since 2008.

ISO 9001:2015 Quality Management System certification

SOCIAL RESPONSIBILITIES (Continued)

Product Responsibility (Continued)

Quality Assurance Management (Continued)

Our Group employs a systematic quality management approach to ensure rigorous quality control from the earliest stages, including raw material acquisition, first article production, mass production, quality assessment, and sales, as well as after-sales service. To maintain top product quality, our Group continuously monitor manufacturing processes and conduct stringent quality assessments on incoming raw materials, first articles, semi-finished products, and finished goods.

In the event of a product recall, sales and production of the affected item will be immediately halted, and related stock will not be circulated. Our Group will investigate to identify the cause and extent of the issue, gathering customer feedback through surveys and analysing test data for the recalled product. A comprehensive solution will be developed based on the findings, which may include product recalls, repairs, replacements, or refunds. The solution will be communicated to customers via email, our website, or television commercials. Additionally, the quality management system will be reviewed and enhanced to prevent future occurrences. During the Reporting Period, our Group did not experience any product recalls for non-health and safety reasons.

Product Recalls due to Non-Health and Safety Reasons	2024	2023
Total monetary value of significant fines	RMB 0	RMB 0
Total number of product recalls	0 PCS	0 PCS
Percentage of product recalls	0%	0%
Total monetary value lost due to product recalls	RMB 0	RMB 0

Customer Service

Our Group has established clear protocols and operational procedures for dealing with customer issues. Especially in DGKD, a handling procedure involving combination of the 8D method and the 5 Whys method, is adopted in the handling of customer complaints.

Overall, our Group received 14 complaints during the Reporting Period; all complaints were closed and resolved through the robust complaints handling procedures. All complaints were closed and resolved through our established complaint handling procedures. Each complaint was documented, investigated, and addressed promptly to ensure customer concerns were met.

The quality assurance department implemented corrective and preventive actions based on the analysis of the complaints. This included identifying root causes and making necessary adjustments to processes to prevent recurrence. These measures ensure continuous improvement in our operations and enhance customer satisfaction.

SOCIAL RESPONSIBILITIES (Continued)

Product Responsibility (Continued)

Data Protection and Information Security

Our Group considers data privacy and cybersecurity to be critical business issues. The IT Department is tasked with ensuring the privacy and security of our Group's information systems. IT personnel conduct regular assessments and maintenance of equipment, as well as support tasks, to effectively identify and address potential threats.

Our Group adheres strictly to relevant laws and regulations, implementing well-established technical schemes, policies, procedures, and control measures to govern customer data privacy, document control, asset management, storage control, security incident management, and regulatory compliance.

The Information Security Accountability Management Policy is designed to protect the privacy and security of data owned by our Group and its business partners. Under the Information Security Management Policy, employees must adhere to procedures and rules regarding the use of computer networks and assets, as well as the handling of confidential information, to ensure the stable and reliable operation of information systems. This policy also includes standard procedures for managing departing employees to prevent information leaks.

To safeguard important information from vandalism, natural disasters, or accidental damage, our Group performs daily data backups and securely stores backup files on external servers. To mitigate cybersecurity risks, the IT Department has established internet firewalls, anti-virus systems, and internet authorisation systems, and conducts software and system updates as needed.

Confidentiality clauses in the Staff Management Manual explicitly prohibit any misuse or wrongful disclosure of confidential information to third parties. In cases of data tampering, alteration of business data, or data leakage, employees may face disciplinary actions, and such incidents may be reported to the relevant authorities. During the Reporting Period, there were no recorded instances of non-compliance with laws and regulations related to confidentiality and data protection that significantly impacted our Group.

Research and Development

Innovation remains a crucial factor in driving business success. Our Group leverages its strengths and resources in R&D to continually develop advanced automotive and hydraulic products that enhance sales and reinforce its leading position in the industry.

Investment in R&D for industrial robots is beginning to yield results, with robotic products expected to launch on the market soon. Currently, our Group is in the initial stages of introducing harmonic gear/drive products. By expanding its automotive offerings into emerging domestic markets and integrating automation and robotic technologies into manufacturing, our Group has gained significant recognition for its technological expertise in the industry. It has become a designated supplier for BYD, one of China's leading automakers.

SOCIAL RESPONSIBILITIES (Continued)

Product Responsibility (Continued)

Intellectual Property

Protecting intellectual property rights ("IPR") is fundamental to maintaining a healthy marketplace. To support this goal, our Group has implemented various internal measures to safeguard our own IPR as well as that of third-party organizations. The IPR Policy governs the implementation, maintenance, and continuous improvement of our Group's IPR management and complies with the Trademark Law, Patent Law, and Copyright Law of the PRC. Additionally, our Group has established a Work Instruction on Confidentiality that outlines the collection, management, and deletion of confidential information, along with the responsibilities of top management and relevant departments.

When appropriate, our Group enters into confidentiality agreements with clients to protect their IP rights. The handling of confidential information is clearly defined in employment contracts, guiding employees to identify potential violations of IP rights and take immediate action to protect our Group's legitimate interests. To enhance IP protection awareness among employees, our Group has provided IPR training to key personnel to minimise the risk of potential infringement.

Since its early days, our Group has consistently invested in patent applications for new designs and technologies with the State Intellectual Property Office of the PRC. During the Reporting Period, our Group has secured an officially registered trademark and a total of 71 issued patents, which include 56 utility model patents and 15 invention patents.

Anti-Corruption

Our Group upholds honesty, integrity, and fairness as its fundamental values. These ethical standards are clearly outlined in the Code of Conduct and Ethics, which mandates that all business activities be conducted with a high level of integrity. According to the Anti-corruption Policy, all employees, including those of subsidiaries and affiliated companies such as contractors and subcontractors, are strictly prohibited from supporting, engaging in, or tolerating bribery or any other form of corruption. Our Group regularly reviews its policies and procedures to detect irregularities and identify risks promptly.

SOCIAL RESPONSIBILITIES (Continued)

Anti-Corruption (Continued)

At GZXH, the Important Notice on the Prohibition of Corruption and Bribery explicitly bans any corrupt acts, practices, and activities, including:

- Accepting any monetary benefits, such as cash, checks, gifts, commissions, gratitude fees, or securities from business partners, either directly or indirectly

- Embezzling funds for personal gain

- Exploiting price variations in the company's name for personal benefits

Employees involved in import and export activities are closely monitored through a robust internal accountability system. This system is designed to ensure compliance with both internal policies and external regulations, providing a framework that tracks transactions, assesses risk, and identifies any irregularities in real time. By implementing this level of oversight, our Group can effectively mitigate risks associated with international trade, such as fraud, corruption, and regulatory violations.

To uphold high business ethics, our Group also establishes Agreements on Trade Security with our partners. These agreements outline clear expectations regarding ethical conduct, compliance with laws, and the handling of sensitive information. By formalising these commitments, our Group fosters a culture of integrity and accountability among our partners, which is essential for maintaining trust and a positive reputation in the marketplace.

Any employee found to be engaging in unethical behaviour or violating the Code of Conduct, as well as relevant laws and regulations, will face disciplinary actions. These actions can range from warnings and retraining to termination of employment, depending on the severity of the infraction. Furthermore, in cases of significant violations or unlawful activities, our Group reserves the right to report the matter to law enforcement authorities. This approach underscores our Group's commitment to ethical practices and its zero-tolerance stance towards corruption and misconduct.

During the Reporting Period, our Group did not violate any laws or regulations pertaining to bribery and corruption and was not involved in or seeking to engage in money laundering. Our Group did not assist, abet, or collude with any individual involved in unlawful activities. No instances of non-compliance with relevant laws and regulations related to corruption, bribery, fraud, or money laundering that significantly impacted our Group were identified during the Reporting Period.

SOCIAL RESPONSIBILITIES (Continued)

Anti-Corruption (Continued)

Whistleblowing Policy

Our Group is committed to upholding high standards of transparency, integrity, and accountability. To effectively manage risks and uphold internal controls, our Group has implemented a whistleblowing policy that serves as a crucial mechanism for identifying fraud, misconduct, malpractice, or significant risks within our Group. This policy encourages employees and third parties, including customers and suppliers, to confidentially report any concerns or relevant information using a whistleblowing report form provided by our Group's internal audit department, accessible via email or mail. Individuals who report concerns in good faith will be treated fairly, and the whistleblowing policy includes protective provisions for whistleblowers to safeguard their interests.

The internal audit department maintains a register of all whistleblowing cases, ensuring that any reported incidents with valid contacts are followed up. These cases are referred to executive directors or the Audit Committee, who are not involved in the concerns raised, for evaluation. The internal audit department will present its findings to the executive directors or Audit Committee members, who will then determine the appropriate course of action. If necessary, relevant government regulators may be notified.

The whistleblowing policy is overseen by our Group's Audit Committee, which is primarily responsible for ensuring its effectiveness. This includes monitoring and reviewing the policy's performance, as well as assessing the actions taken in response to investigations related to reported cases.

Anti-Corruption Training

Anti-corruption training is crucial for protecting employees against potential risks and fostering an ethical business culture within our Group. This training provides a comprehensive overview of relevant laws and regulations, our Group's policies, and notable past cases of corruption and misconduct. By discussing these topics, employees gain a deeper understanding of the ethical standards expected of them and the implications of non-compliance.

During the Reporting Period, our Group conducted an Anti-corruption training, with a total of 2 hours for directors and 26 hours for staff members. This engagement reflects our Group's commitment to promoting awareness and understanding of anti-corruption measures at all levels of the Group. By equipping employees with the knowledge and tools necessary to identify and report unethical behaviour, our Group not only protects its interests but also reinforces a culture of integrity and accountability. Through ongoing training and education, our Group aims to ensure that all employees are well-prepared to navigate the complexities of ethical business practices.

SOCIAL RESPONSIBILITIES (Continued)

Support for Our Community

Our Group is committed to generating sustainable value for communities through volunteer opportunities and donations. Our Group actively encourages employees to contribute to the community by engaging in outreach and participating in volunteer activities. During the Reporting Period, our Group concentrated on supporting the elderly, fostering school-enterprise collaboration, and organising public seminars.

In celebration of the Chinese New Year, DGKD collaborated with local government to donate RMB17,300 to the Dongguan Shijie Huangsiwei Village Committee, aimed at supporting community activities for the elderly. Additionally, at DGKD, we allocated RMB19,000.00 for the Huangsiwei Village New Year Elderly Support Fund. At GZXH, our team dedicated three hours to community service focused on education and development. Moreover, at JSKM, we engaged in poverty alleviation efforts, contributing RMB14,000.00 over three hours of service. Through these initiatives, our Group remains committed to making a meaningful impact in our communities.

REPORTING BASIS AND GUIDELINE

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs

The Report is fully prepared with reference to the GRI Standards and in accordance with the mandatory disclosure requirements and the 'Comply or Explain' clauses in the ESG Reporting Guide. The content index is contained in the Appendix of the Report.

The Report has been prepared under the principles of the ESG Reporting Guide and GRI Standards, details are as follows:

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
Aspect A: Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Environmental Protection – Compliance with Environmental Legislation
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection – Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection – Targets and Performance Review

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection – Targets and Performance Review; Environmental Performance
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Protection – Emissions Mitigation Strategies; Use of Resources; Water Use Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Targets and Performance Review
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Water Use Efficiency; Targets and Performance Review
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Environmental Protection – Packaging Materials
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection – Impacts on Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – Impacts on Environment and Natural Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection – Climate Resilience
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Protection – Climate Resilience

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social Responsibilities – Employment and Labour Practices; Employee Recruitment and Retention Strategy
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Responsibilities – Employee Recruitment and Retention Strategy
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Responsibilities – Employee Recruitment and Retention Strategy
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social Responsibilities – Work Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Responsibilities – Work Health and Safety
KPI B2.2	Lost days due to work injury.	Social Responsibilities – Work Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social Responsibilities – Work Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Social Responsibilities – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Responsibilities – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Responsibilities – Development and Training

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social Responsibilities – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social Responsibilities – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social Responsibilities – Labour Standards
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Supply Chain Responsibility
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Responsibility
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Responsibility
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Responsibility
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Responsibility
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social Responsibilities – Product Responsibility

HKEx Appendix C2 ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Social Responsibilities – Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Social Responsibilities – Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Social Responsibilities – Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Social Responsibilities – Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Social Responsibilities – Product Responsibility
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social Responsibilities – Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Social Responsibilities – Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Social Responsibilities – Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Social Responsibilities – Anti-Corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Support for Our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Support for Our Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Support for Our Community

Content Index of The GRI Standards

IPE Group Limited prepared the report with reference to the GRI Standards, covering the Reporting Period from 1 January, 2024 to 31 December, 2024.

Materiality	During the preparation of the Report, our Group has identified the material issues based on the stakeholder survey and Materiality Assessment, and made major disclosure in the Report, so as to respond to the sustainable development issues mostly concerned by the stakeholders.
Clarity and Quantitative	The report discloses KPIs for environmental and social aspects in quantitative format as much as possible. The standards, methods and reference sources for the statistical calculation of relevant data are also explained.
Accuracy, Balance and Completeness	The Board has recognised its obligation to manage our Group's sustainable development and to examine the Report's truthfulness, accuracy, and completeness. The Report has been meticulously compiled with a balanced viewpoint.
Comparability and Consistency	Unless otherwise stated, the report adopts consistent data collection and calculation methods as the 2022 Sustainability Report, so as to allow for meaningful comparison with historical data.
Stakeholder Inclusiveness	In the Report, our Group's stakeholders have been identified, along with an explanation of how our Group has addressed their expectations and interests.
Sustainability Context	The Report examines our Group's performance in the context of long-term sustainability. It outlines how our Group is contributing today and how we will contribute in the future, regardless of how economic, environmental and social situations change over time.
Reliability	The preparation of the Report was aided by the expertise of an independent consultant. To ensure the accuracy and relevance of the information, the procedure for collecting, recording, assembling, analysing and reporting data used to prepare the Report have been reviewed from time to time.
Timeliness	Standardised approaches were utilised to ensure the data collected were up to date. The Report was issued in a timely manner to ensure that stakeholders have enough time to make informed decisions.

GRI Standards Disclosure Number	Location of Disclosure
GRI 1 Foundation 2021	
GRI 2 General Disclosure 2021	
1. The organization and its reporting practices	
2-1 Organizational details	About The Report
2-2 Entities included in the organization's sustainability reporting	About The Report – Scope of Report
2-3 Reporting Period, frequency and contact point	About The Report – Scope of Report
2-4 Restatements of information	About Report – Reporting Standard
2-5 External assurance	
2. Activities and workers	
2-6 Activities, value chain and other business relationships	Supply Chain Management
2-7 Employees	Social Responsibilities – Employment and Labour Practices; Employee Recruitment and Retention Strategy
2-8 Workers who are not employees	Social Responsibilities – Employment and Labour Practices
3. Governance	
2-9 Governance structure and composition	Annual Report 2024 – Corporate Governance Functions
2-10 Nomination and selection of the highest governance body	Annual Report 2024 – Nomination Committee
2-11 Chair of the highest governance body	Annual Report 2024 – Chairman and Chief Executive Officer
2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report 2024 – Chairman and Chief Executive Officer
2-13 Delegation of responsibility for managing impacts	Annual Report 2024 – Responsibilities and Delegation
2-14 Role of the highest governance body in sustainability reporting	ESG Governance Structure
2-15 Conflicts of interest	Annual Report 2024 – Directors' And Controlling Shareholders' Interests In Competing Business
2-16 Communication of critical concerns	Materiality Assessment
2-17 Collective knowledge of the highest governance body	Annual Report 2024 – ESG Governance Structure
2-18 Evaluation of the performance of the highest governance body	Annual Report 2024 – Board Composition, Succession And Evaluation

GRI Standards Disclosure Number	Location of Disclosure
2-19 Remuneration policies	Annual Report 2024 – Employees And Remuneration Policy
2-20 Process to determine remuneration	Annual Report 2024 – Board Committees – Remuneration Committee
2-21 Annual total compensation ratio	N/A
4. Strategy, policies and practices	
2-22 Statement on sustainable development strategy	The Board's Statement
2-23 Policy commitments	Annual Report 2024 – Environmental Policies And Performance
2-24 Embedding policy commitments	The Board's Statement
2-25 Processes to remediate negative impacts	The Board's Statement
2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Engagement
2-27 Compliance with laws and regulations	Environmental Protection – Compliance with Environment and Legislation
2-28 Membership associations	ESG Governance Structure
5. Stakeholder engagement	
2-29 Approach to stakeholder engagement	Stakeholder Engagement
2-30 Collective bargaining agreements	N/A
GRI 3 Material topics 2021	
3-1 Guidance to determine material topics	Materiality Assessment
3-2 Disclosures on material topics	Materiality Assessment
Likely material topics	
Likely material topics – GRI 200 (Economic)	
GRI 205: Anti-corruption 2016	
3-3 Topic management disclosures	Social Responsibilities – Anti-Corruption
205-1 Operations assessed for risks related to corruption	Social Responsibilities – Anti-Corruption
205-2 Communication and training about anti-corruption policies and procedures	Social Responsibilities – Anti-Corruption
205-3 Confirmed incidents of corruption and action taken	Social Responsibilities – Anti-Corruption
Likely material topics – GRI 300 (Environmental)	
GRI 301: Materials 2016	
3-3 Topic management disclosures	Environmental Protection – Environmental Protection
301-1 Materials used by weight or volume	Environmental Protection – Environmental Performance

GRI Standards Disclosure Number	Location of Disclosure
GRI 302: Energy 2016	
3-3 Topic management disclosures	Environmental Protection – Use of Resources; Environmental Performance
302-1 Energy consumption within the organization	Environmental Protection – Environmental Performance
302-2 Energy consumption outside of the organization	Environmental Protection – Environmental Performance
302-3 Energy intensity	Environmental Protection – Environmental Performance
302-4 Reduction of energy consumption	Environmental Protection – Environmental Performance
302-5 Reductions in energy requirements of products and services	Environmental Protection – Environmental Performance
GRI 303: Water and Effluents 2018	
3-3 Topic management disclosures	Environmental Protection – Water Use Efficiency; Environmental Performance
303-1 Interactions with water as a shared resource	Environmental Protection – Water Use Efficiency; Environmental Performance
303-2 Management of water discharged-related impacts	Environmental Protection – Environmental Performance
303-3 Water withdrawal	Environmental Protection – Environmental Performance
303-4 Water discharge	Environmental Protection – Environmental Performance
303-5 Water consumption	Environmental Protection – Environmental Performance

GRI Standards Disclosure Number	Location of Disclosure
GRI 305: Emissions 2016	
3-3 Topic management disclosures	Environmental Protection – Emission Mitigation Strategies; Environmental Performance
305-1 Direct (Scope 1) GHG emissions	Environmental Protection – Environmental Performance
305-2 Energy indirect (Scope 2) GHG emissions	Environmental Protection – Environmental Performance
305-3 Other indirect (Scope 3) GHG emissions	Environmental Protection – Environmental Performance
305-4 GHG emissions intensity	Environmental Protection – Environmental Performance
305-5 Reduction of GHG emissions	Environmental Protection – Environmental Performance
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Protection – Environmental Performance
GRI 306: Waste 2020	
3-3 Topic management disclosures	Environmental Protection – Emissions Mitigation Strategies; Environmental Performance
306-1 Waste generation and significant waste-related impacts	Environmental Protection – Emissions Mitigation Strategies; Environmental Performance
306-2 Management of significant waste-related impacts	Environmental Protection – Emissions Mitigation Strategies; Environmental Performance
306-3 Waste generated	Environmental Protection – Environmental Performance
306-4 Waste diverted from disposal	Environmental Protection – Environmental Performance
306-5 Waste directed to disposal	Environmental Protection – Environmental Performance
GRI 308: Supplier Environmental Assessment 2016	
3-3 Topic management disclosures	Social Responsibilities – Supply Chain Management
308-1 New suppliers that were screened using environmental criteria	Social Responsibilities – Supply Chain Management
308-2 Negative environmental impacts in the supply chain and actions taken	Social Responsibilities – Supply Chain Management

GRI Standards Disclosure Number	Location of Disclosure
Likely material topics – GRI 400 (Social)	
GRI 401: Employment 2016	
3-3 Topic management disclosures	Social Responsibilities – Employment and Labour Practices
401-1 New employee hires and employee turnover	Social Responsibilities – Employment and Labour Practices
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Responsibilities – Employment and Labour Practices
401-3 Parental Leave	Social Responsibilities – Employment and Labour Practices
GRI 403: Occupational Health and Safety 2018	
3-3 Topic management disclosures	Social Responsibilities – Work Health and Safety
403-1 Occupational health and safety management system	Social Responsibilities – Work Health and Safety
403-2 Hazard identification, risk assessment, and incident investigation	Social Responsibilities – Work Health and Safety
403-3 Occupational health service	Social Responsibilities – Work Health and Safety
403-4 Worker participation, consultation, and communication on occupational health and safety	N/A
403-5 Worker training on occupational health and safety	Social Responsibilities – Development and Training
403-6 Promotion of worker health	Social Responsibilities – Work Health and Safety
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social Responsibilities – Work Health and Safety
403-8 Workers covered by an occupational health and safety management system	Social Responsibilities – Work Health and Safety
403-9 Work-related injuries	Social Responsibilities – Work Health and Safety
403-10 Work-related ill health	Social Responsibilities – Work Health and Safety

GRI Standards Disclosure Number	Location of Disclosure
GRI 404: Training and Education 2016	
3-3 Topic management disclosures	Social Responsibilities – Development and Training
404-1 Average hours of training per year per employee	Social Responsibilities – Development and Training
404-2 Programs for upgrading employee skills and transition assistance programs	Social Responsibilities – Development and Training
404-3 Percentage of employees receiving regular performance and career development reviews	Social Responsibilities – Development and Training
GRI 405: Diversity and Equal Opportunity 2016	
3-3 Topic management disclosures	Social Responsibilities – Employee Recruitment and Retention Strategy
405-1 Diversity of governance bodies and employees	Social Responsibilities – Employee Recruitment and Retention Strategy
405-2 Ratio of basic salary and remuneration of women to men	Social Responsibilities – Employee Recruitment and Retention Strategy
GRI 408: Child Labour 2016	
3-3 Topic management disclosures	Social Responsibilities – Labour Standards
408-1 Operations and suppliers at significant risk for incidents of child labour	Social Responsibilities – Labour Standards
GRI 414: Supplier Social Assessment 2016	
3-3 Topic management disclosures	Social Responsibilities – Supply Chain Management
414-1 New suppliers that were screened using social criteria	Social Responsibilities – Supply Chain Management
414-2 Negative social impacts in the supply chain and actions taken	Social Responsibilities – Supply Chain Management

GRI Standards Disclosure Number	Location of Disclosure
GRI 416: Customer Health and Safety 2016	
3-3 Topic management disclosures	Social Responsibilities - Product Responsibility
416-1 Assessment of the health and safety impacts of product and service categories	Social Responsibilities - Product Responsibility
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Social Responsibilities - Product Responsibility
GRI 417: Marketing and Labeling 2016	
3-3 Topic management disclosures	Social Responsibilities - Product Responsibility
417-1 Requirements for product and service information and labeling	Social Responsibilities - Product Responsibility
417-2 Incidents of non-compliance concerning product and service information and labeling	Social Responsibilities - Product Responsibility
417-3 Incidents of non-compliance concerning marketing communications	Social Responsibilities - Product Responsibility
GRI 418: Customer Privacy 2016	
3-3 Topic management disclosures	Social Responsibilities - Product Responsibility
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Responsibilities - Product Responsibility

REPORT OF THE DIRECTORS

The board of directors (the "Board") of IPE Group Limited (the "Company") is pleased to present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the production of computer numerical control lathes and manufacturing and sale of high precision metal components products. Further details of the Group's principal activities and particulars of the Company's principal subsidiaries as at 31 December 2024 are set out in note 13 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE CULTURE AND STRATEGY

The Corporate Culture of the Group are set out in the corporate governance report on pages 30 and 31.

MAJOR RISKS AND UNCERTAINTIES

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

1. Metal costs fluctuation

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

2. Shortage of skilled labor

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

3. Uncertainties in financial market

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

4. Policy Risk of the US

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

REPORT OF THE DIRECTORS

BUSINESS REVIEW

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental and social sustainable development in the long term. For the year ended 31 December 2024, the Group strictly complied with all applicable environmental and social laws, regulations, and standards. Technological advancement, especially the newly deployed industrial robots and operation automation, continues to assist the Group to build long-term business resilience. Specifically, the Group continues to improve operational efficiency with the aims to further reduce resource consumption and prevent workplace injuries. Engagement with stakeholders has resulted in raised concerns on various material issues, which include occupational health and safety, product/service quality, data protection, labor standards and development and training. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing management on environmental, social and governance.

More details of the Company's environmental policy and performance are available in the Environmental, Social and Governance Report contained in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

KEY RELATIONSHIP WITH STAKEHOLDERS

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

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2024 and the Group's financial position as at 31 December 2024 are set out in the consolidated financial statements on pages 146 to 151 of this annual report.

The Board does not recommend the payment of a final dividend (2023: Nil) in respect of the year ended 31 December 2024.

CHARITABLE CONTRIBUTIONS

For the year ended 31 December 2024, the Group made charitable contributions totaling HK$53,469 (2023: Nil).

BANK AND OTHER LOANS

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

PRINCIPAL PROPERTIES

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

SHARES ISSUED IN THE YEAR

As at 31 December 2024, the total number of issued shares of the Company was 1,052,254,135. No share was issued for the year ended 31 December 2024.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to the shareholders of the Company (the "Shareholders"), calculated in accordance with the provisions of the Companies Acts of the Cayman Islands, amounted to HK$1,246,508,000 (2023: HK$1,252,808,000).

The Company's share premium account and contributed surplus, amounting to HK$462,243,000 as at 31 December 2024 (2023: HK$462,243,000), may be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company is in a position to pay off its debts as and when they fall due in the ordinary course of business.

DEBENTURES ISSUED IN THE YEAR

The Group did not issue any debentures for the year ended 31 December 2024.

EQUITY LINKED AGREEMENT

Saved as the information disclosed under the section headed "Share Option Schemes" in this report of the directors and in note 24 to the consolidated financial statements of this annual report, the Company did not enter into any equity-linked agreement for the year, nor was there any equity-link agreement entered into by the Company subsisting as at 31 December 2024.

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares, if any) listed on the Stock Exchange during the year ended 31 December 2024. As of 31 December 2024, the Company did not hold any treasury shares.

SHARE OPTION SCHEMES

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

The 2011 Share Option Scheme

Purpose of the 2011 Share Option Scheme

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

Participants of the 2011 Share Option Scheme

Eligible participants of the 2011 Share Option Scheme included:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or the Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity

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

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

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

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

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

Maximum entitlement of each participant under the 2011 Share Option Scheme

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

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

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

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

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

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

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

The vesting period of options under the 2011 Share Option Scheme

The vesting period of options granted are set out in the below table on page 128.

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

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

The basis of determining the exercise price of options granted

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

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

The remaining life of the 2011 Share Option Scheme

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

SHARE OPTION SCHEMES (Continued)

The 2011 Share Option Scheme (Continued)

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

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

		Number of share options movement during the year									Price of share	
Name or category of participants	Date of grant	As at 01/01/2024	Granted	Exercised	Cancellation	Lapsed	As at 31/12/2024	Vesting period	Exercise period	Exercise Price/ Purchase Price HK$	Prior to the grant date of the share options[(1)]	Prior to the exercise date of the share options[(2)]
Directors, chief executive and a substantial shareholder and their associates												
Mr. Ng Hoi Ping												
Tranche 1	03/04/2020	10,000,000	–	–	–	–	10,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
Ms. Zeng Jing												
Tranche 1	03/04/2020	5,000,000	–	–	–	–	5,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
Mr. Chen Kuangguo												
Tranche 1	03/04/2020	5,000,000	–	–	–	–	5,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
Directors with options granted and to be granted in excess of the 1% individual limit												
Mr. Zeng Guangsheng												
Tranche 1	03/04/2020	20,000,000	–	–	–	–	20,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
Other employee participants												
Tranche 1	03/04/2020	11,000,000	–	–	–	800,000	10,200,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
Tranche 2	10/05/2021	1,700,000	–	–	–	–	1,700,000	10/05/2021 to 31/03/2022	01/04/2022 to 28/02/2026	0.900	0.700	–
Other service providers [(3)]												
Tranche 1	03/04/2020	2,000,000	–	–	–	–	2,000,000	03/04/2020 to 28/02/2021	01/03/2021 to 28/02/2026	0.900	0.730	–
		54,700,000	–	–	–	800,000	53,900,000					

Notes:

(1) The closing price of the shares immediately before the date on which the options were granted.

(2) The stated price was the weighted average closing price of the ordinary shares immediately before the date on which the share options were exercised. No options were exercised for the year ended 31 December 2024.

(3) No sublimit was provided for service providers under the 2011 Share option Scheme which was expired before 1 January 2023.

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme

Purpose of the 2022 Share Option Scheme

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

Participants of the 2022 Share Option Scheme

Eligible participants of the 2022 Share Option Scheme included:

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

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

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

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

Maximum entitlement of each participant under the 2022 Share Option Scheme

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

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

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

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme (Continued)

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

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

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

The vesting period of options under the 2022 Share Option Scheme

The vesting period of options granted are set out in the below table on page 131.

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

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

The basis of determining the exercise price of options granted

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

SHARE OPTION SCHEMES (Continued)

The 2022 Share Option Scheme (Continued)

The remaining life of the 2022 Share Option Scheme

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

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

		Number of share options movement during the year									Price of share	
Name or category of participants	Date of grant	As at 01/01/2024	Granted	Exercised	Cancellation	Lapsed	As at 31/12/2024	Vesting period	Exercise period	Exercise Price/ Purchase Price HK$	Prior to the grant date of the share options(1)	Prior to the exercise date of the share options(2)
Directors, chief executive and a substantial shareholder and their associates												
Mr. Zeng Guangsheng												
Tranche 1	17/03/2022	35,000,000(4)	–	–	–	–	35,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	–
Mr. Ng Hoi Ping												
Tranche 1	17/03/2022	5,000,000(4)	–	–	–	–	5,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	–
Directors with options granted and to be granted in excess of the 1% individual limit												
Ms. Zeng Jing												
Tranche 1	17/03/2022	5,000,000(4)	–	–	–	–	5,000,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	–
Other employee participants												
Tranche 1	17/03/2022	4,700,000(4)	–	–	–	500,000	4,200,000	17/03/2022 to 16/09/2022	17/09/2022 to 17/09/2026	0.900	0.840	–
Tranche 2	07/07/2023	1,000,000(4)(5)	–	–	–	–	1,000,000	07/07/2023 to 06/07/2024	07/07/2024 to 06/07/2029	0.900	0.500	–
		50,700,000	–	–	–	500,000	50,200,000					

Notes:

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

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

SHARE OPTION SCHEMES (Continued)

Number of options available for grant

Under the 2011 Share Option Scheme, number of options available for grant as at 1 January 2024 and 31 December 2024 are as follows:

	1 January 2024	31 December 2024
Share options		
Under the mandate limit(*)	0	0
Under the sublimit for service providers(*)	0	0

Under the 2022 Share Option Scheme, number of options available for grant as at 1 January 2024 and 31 December 2024 are as follows:

	1 January 2024	31 December 2024
Share options		
Under the mandate limit	55,225,413	54,225,413
Under the sublimit for service providers	0	0

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

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

DIRECTORS

The directors of the Company for the year ended 31 December 2024 and up to the date of this report, were:

Executive directors:

Mr. Zeng Guangsheng
Mr. Ng Hoi Ping

Non-executive directors:

Ms. Zeng Jing
Mr. Chen Kuangguo

Independent non-executive directors:

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

According to Article 87 of the Articles of Association, Mr. Ng Hoi Ping, Mr. Yang Rusheng and Mr. Zhu Jianbiao shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "2025 AGM").

All of the above retiring directors, being eligible, will offer themselves for re-election at the 2025 AGM.

Mr. Ng Hoi Ping is executive directors and was appointed for three-year terms.

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

No director proposed for re-election at the 2025 AGM has a service contract or a letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business to the Group to which the holding company of the Company, or any of the Company's subsidiaries were a party for the year ended 31 December 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had 2,173 employees (2023: 2,065), including the Directors. The Directors and senior management received compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of the Group. When reviewing and determining the specific remuneration package for the Directors and senior management, the Company took into consideration factors such as, among other things, the economic situation, the market level of salaries paid by comparable companies, the respective responsibilities and duties of the individual and the performance of the individual and the Group. The remuneration committee of the Board has been set up for reviewing the Group's emolument policy and structure for the remuneration of the Directors.

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

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries during the year ended 31 December 2024.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2024, the interests and short positions of the directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company and its associates (within the meaning of Part XV of the Securities of Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of director	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital(*)
Mr. Zeng Guangsheng	Directly beneficially owned	50,000,000	4.75%

(*) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2024.

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

Name of director	Capacity and nature of business	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital as at 31 December 2024(1)
Mr. Zeng Guangsheng	Directly beneficially owned	50,000,000	4.75%
	Directly beneficially owned	55,000,000(2)	5.23%
	Total:	105,000,000	9.98%
Mr. Ng Hoi Ping	Directly beneficially owned	15,000,000(2)	1.43%
Ms. Zeng Jing	Directly beneficially owned	10,000,000(2)	0.95%
Mr. Chen Kuangguo	Directly beneficially owned	5,000,000(2)	0.48%

(1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2024.

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

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

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

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

Saved as disclosed above, as at 31 December 2024, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2024, as far as the directors of the Company are aware, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of substantial shareholder	Notes	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital at 31 December 2024[*]
Banon Technology Company 寶安科技有限公司 ("Banon Technology")		Directly beneficially owned	577,281,250	54.86%
China Banon Group Co., Ltd. 中國寶安集團股份有限公司 ("China Baoan Group")	(a)	Through controlled corporation	577,281,250	54.86%
Tottenhill Limited		Directly beneficially owned	109,206,975	10.38%
Mr. Chui Siu On	(b)	Through controlled corporation	109,206,975	10.38%
		Directly beneficially owned	13,963,750	1.33%
	(c)	Through spouse	125,000	0.01%
		Total:	123,295,725	11.72%
Ms. Leung Wing Yi		Directly beneficially owned	125,000	0.01%
	(d)	Through spouse	123,170,725	11.71%
		Total:	123,295,725	11.72%

[*] The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2024.

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

Notes:

(a) These shares were held by Baoan Technology Company Limited. Baoan Technology Company Limited is a wholly owned entity of China Baoan Group. Accordingly, China Baoan Group was deemed to be interested in the 577,281,250 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.

(b) These shares were held by Tottenhill Limited. Tottenhill Limited is wholly owned by Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in the 109,206,975 shares of the Company owned by Tottenhill Limited pursuant to Part XV of the SFO.

(c) These shares were held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in these 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.

(d) These shares were held by Mr. Chui Siu On, the husband of Ms. Leung Wing Yi. Accordingly, Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.

Saved as disclosed above, as at 31 December 2024, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed for the year ended 31 December 2024.

MAJOR CUSTOMERS AND SUPPLIERS

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

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year ended 31 December 2024.

CORPORATE GOVERNANCE

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

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2024 and up to date of this report.

AUDITORS

Forvis Mazars CPA Limited (Formerly known as "Mazars CPA Limited") were first appointed as auditors of the Company on 24 August 2022 upon the retirement of KPMG on 23 August 2022, and acted as the auditors of the Company for the year ended 31 December 2024. Forvis Mazars CPA Limited shall retire at the 2025 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Forvis Mazars CPA Limited as auditors of the Company will be proposed at the 2025 AGM.

CLOSURE OF REGISTER OF MEMBER

For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the 2025 AGM to be held on 16 May 2025, the Register of Members of the Company will be closed from 13 May 2025, Tuesday to 16 May 2025, Friday (both days inclusive), during that period no transfer of shares will be affected and the record date will be 16 May 2025, Friday. In order to qualify for the right to attend and vote at the 2025 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 May 2025, Monday for registration of transfer.

Mr. Zeng Guangsheng
Chairman

28 March 2025

INDEPENDENT AUDITOR'S REPORT

Forvis Mazars CPA Limited
富睿瑪澤會計師事務所有限公司
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Independent auditor's report to the shareholders of
IPE Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IPE Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 146 to 232, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Revenue recognition

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

The Key Audit Matter	How the matter was addressed in our audit
Revenue of the Group mainly comprises sale of precision components products to customers. The Group enters into sales orders with customers and sells its products in accordance with the terms agreed in the sales orders. For direct sales of precision component products, once the products are delivered to the location designated by the customers, the control of the goods is considered to have been transferred to the customers and revenue is recognised accordingly. For consignment sales of precision component products, once the products are withdrawn from consignees' warehouse, the control of the goods is considered to have been transferred and revenue is recognised at that point. The Group does not offer any discounts or rebates to customers and does not permit sales return except for where the products are damaged or defective. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the revenue recognition by management to meet specific targets or expectations.	Our key audit procedures to assess the revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting sales contracts/orders with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • performing analytical procedures on revenue by comparing the actual result of the current year with that of the prior year; • inspecting goods delivery notes, shipping documentation and consignment products withdrawn statements, on a sample basis, to assess whether revenue transactions recorded before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts/orders; and • inspecting underlying documentation for journal entries and adjustments relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria.

KEY AUDIT MATTERS (Continued)

Valuation of inventories

Refer to notes 1(m) and 16 to the consolidated financial statements

The Key Audit Matter

Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. At 31 December 2024, the net carrying value of inventories was HK$319 million.

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

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

How the matter was addressed in our audit

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

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

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the 2024 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2025

The engagement director on the audit resulting in this independent auditor's report is:
Fung Shiu Hang
Practising Certificate number: P04793

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	3	**1,010,006**	898,733
Cost of sales		**(724,301)**	(675,909)
Gross profit		**285,705**	222,824
Other income	4	**40,641**	62,015
Change in fair value of investment properties	10	**(732)**	(2,557)
Change in fair value of financial assets measured at fair value through profit or loss ("FVPL")		**14,473**	(1,159)
Reversal of (Provision for) impairment losses related to receivables	27(a)	**4,924**	(4,501)
Distribution costs		**(37,536)**	(28,947)
Administrative expenses and other expenses		**(172,164)**	(148,209)
Research and development costs		**(80,641)**	(57,696)
Profit from operations		**54,670**	41,770
Finance costs	5(a)	**(15,572)**	(11,239)
Share of loss of an associate	14	**(631)**	(1,158)
Profit before taxation	5	**38,467**	29,373
Income tax	6(a)	**(8,356)**	(13,728)
Profit for the year		**30,111**	15,645
Attributable to:			
Equity shareholders of the Company		**10,597**	5,667
Non-controlling interests		**19,514**	9,978
Profit for the year		**30,111**	15,645
Earnings per share			
Basic and diluted	9	**HK1.01 cents**	HK0.54 cents

The notes on pages 152 to 232 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
Profit for the year	**30,111**	15,645
Other comprehensive loss for the year (after tax adjustment)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations	**(52,522)**	(17,114)
Total comprehensive loss for the year	**(22,411)**	(1,469)
Attributable to:		
Equity shareholders of the Company	**(38,633)**	(7,527)
Non-controlling interests	**16,222**	6,058
Total comprehensive loss for the year	**(22,411)**	(1,469)

The notes on pages 152 to 232 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Investment properties	10	**125,974**	130,189
Property, plant and equipment	10	**847,367**	794,191
Intangible assets	11	**55,624**	68,362
Goodwill	12	**66,733**	69,206
Interest in an associate	14	**1,023**	1,745
Deposits for purchase of property, plant and equipment		**3,855**	2,198
Deferred tax assets	25(b)	**14,179**	16,562
		1,114,755	1,082,453
Current assets			
FVPL	15	**30,825**	16,902
Inventories	16	**318,921**	330,503
Trade and other receivables	17	**455,923**	420,470
Pledged and restricted deposits	18(a)	**34,733**	22,099
Cash and cash equivalents	18(a)	**515,160**	674,400
		1,355,562	1,464,374
Current liabilities			
Trade and other payables	19	**181,853**	342,317
Contract liabilities	20	**7,436**	–
Bank and other loans	21	**287,946**	71,147
Lease liabilities	22	**957**	2,071
Deferred income	23	**585**	431
Tax payable	25(a)	**5,274**	11,391
		484,051	427,357
Net current assets		**871,511**	1,037,017
Total assets less current liabilities		**1,986,266**	2,119,470

	Notes	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Bank and other loans	21	**3,818**	114,399
Lease liabilities	22	**1,735**	3,465
Other payables	19	**2,306**	2,364
Deferred income	23	**428**	831
Deferred tax liabilities	25(b)	**30,061**	34,221
		38,348	155,280
NET ASSETS		**1,947,918**	1,964,190
CAPITAL AND RESERVES			
Share capital	26(c)	**105,225**	105,225
Reserves	26(d)	**1,689,170**	1,727,803
Total equity attributable to equity shareholders of the Company		**1,794,395**	1,833,028
Non-controlling interests	13(a)	**153,523**	131,162
TOTAL EQUITY		**1,947,918**	1,964,190

These consolidated financial statements on pages 140 to 232 were approved and authorised for issue by the Board of Directors on 28 March 2025 and are signed on its behalf by:

Zeng Guangsheng
Director

Ng Hoi Ping
Director

The notes on pages 152 to 232 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

		Attributable to equity shareholders of the Company													
	Notes	Issued capital HK$'000 (note 26(c))	Share premium HK$'000	Contributed surplus HK$'000 (note 26(d) (iii))	Statutory reserve HK$'000 (note 26(d) (i))	Statutory public welfare fund HK$'000 (note 26(d) (iv))	Capital redemption reserve HK$'000 (note 26(d) (vi))	Share option reserve HK$'000 (note 26(d) (vii))	Properties revaluation reserves HK$'000 (note 26(d) (v))	Exchange reserve HK$'000 (note 26(d) (ii))	Other reserves HK$'000 (note 26(d) (viii))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023		105,225	472,201	15,880	72,283	287	7,905	51,594	34,527	25,153	4,239	1,051,120	1,840,414	71,672	1,912,086
Changes in equity for 2023:															
Profit for the year		–	–	–	–	–	–	–	–	–	–	5,667	5,667	9,978	15,645
Other comprehensive loss		–	–	–	–	–	–	–	–	(13,194)	–	–	(13,194)	(3,920)	(17,114)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(13,194)	–	5,667	(7,527)	6,058	(1,469)
Transactions with owners:															
Contributions and distributions															
Appropriation for surplus reserve		–	–	–	9,905	–	–	–	–	–	–	(9,905)	–	–	–
Equity settled share-based transactions	5(b)	–	–	–	–	–	–	141	–	–	–	–	141	–	141
Changes in ownership interests															
Non-controlling interests arising from acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	53,432	53,432
Balance at 31 December 2023 and 1 January 2024		105,225	472,201	15,880	82,188	287	7,905	51,735	34,527	11,959	4,239	1,046,882	1,833,028	131,162	1,964,190
Changes in equity for 2024:															
Profit for the year		–	–	–	–	–	–	–	–	–	–	10,597	10,597	19,514	30,111
Other comprehensive loss		–	–	–	–	–	–	–	–	(49,230)	–	–	(49,230)	(3,292)	(52,522)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(49,230)	–	10,597	(38,633)	16,222	(22,411)
Transactions with owners:															
Contributions and distributions															
Appropriation for surplus reserve		–	–	–	5,516	–	–	–	–	–	–	(5,516)	–	–	–
Contributions from non-controlling interests	13(iii)	–	–	–	–	–	–	–	–	–	–	–	–	6,139	6,139
Balance at 31 December 2024		105,225	472,201	15,880	87,704	287	7,905	51,735	34,527	(37,271)	4,239	1,051,963	1,794,395	153,523	1,947,918

The notes on pages 152 to 232 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Operating activities			
Cash generated from operations	18(b)	**97,230**	156,750
Income tax paid	25(a)	**(13,400)**	(9,240)
Net cash generated from operating activities		**83,830**	147,510
Investing activities			
Interest received		**8,433**	14,335
Dividends received		**2,686**	2,376
Payment for purchase of other property, plant and equipment		**(164,617)**	(102,929)
Proceeds from disposal of other property, plant and equipment		**6,082**	5,973
Payment for the consideration on acquisition of subsidiaries, net of cash acquired		**(168,065)**	(54,735)
Net cash used in investing activities		**(315,481)**	(134,980)
Financing activities			
Capital element of lease rentals paid	18(c)	**(934)**	(986)
Interest element of lease rentals paid	18(c)	**(129)**	(106)
Interests paid	18(c)	**(14,086)**	(9,985)
New bank loans raised	18(c)	**175,360**	–
Repayment of bank loans	18(c)	**(64,795)**	(40,000)
(Increase) Decrease in restricted cash		**(13,920)**	96
Capital contribution from non-controlling interests	13(iii)	**6,139**	–
Net cash generated from (used in) financing activities		**87,635**	(50,981)
Net decrease in cash and cash equivalents		**(144,016)**	(38,451)
Cash and cash equivalents at beginning of the year	18(a)	**674,400**	729,058
Effect of foreign exchange rate changes		**(15,224)**	(16,207)
Cash and cash equivalents at the end of the year, represented by cash and bank balances	18(a)	**515,160**	674,400

The notes on pages 152 to 232 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

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

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

At 31 December 2024, the directors of the Company consider the immediate parent of the Group to be Baoan Technology Company Limited, a company incorporated in Hong Kong while the ultimate controlling party of the Group to be China Baoan Group Co., Ltd., a company incorporated in the PRC.

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

These consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

— investment properties (see note 1(h)); and

— other investments (see note 1(g)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2 to the consolidated financial statements.

(c) Changes in accounting policies

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

(i) Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

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

(iii) Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This Interpretation is revised as a consequence of the above Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

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

(e) Associate

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

(g) Other investments

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

Investments in listed and unlisted equity securities and unlisted wealth management products are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27 to the consolidated financial statements. Any subsequent changes in the fair value are recognised in the profit or loss.

(h) Investment properties

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Other property, plant and equipment

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

— freehold land and buildings;

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k) to the consolidated financial statements).

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

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

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

— Freehold land is not depreciated.

— Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.

— Leasehold land is depreciated over the unexpired term of lease.

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 5 to 10 years after the date of completion.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

(j) Intangible assets (other than goodwill)

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

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

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

— Patents	5 – 10 years
— Computer software	10 years

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

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(v)(iii) to the consolidated financial statements.

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

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

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

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

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

Measurement of ECLs

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

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

Significant increases in credit risk

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

Significant increases in credit risk (Continued)

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

Basis of calculation of interest income (Continued)

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-financial assets

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

— other property, plant and equipment, including right-of-use assets;

— intangible assets;

— interest in an associate; and

— investments in subsidiaries in the Company's statement of financial position.

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

(m) Inventories

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

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Trade receivables, contract assets and other receivables

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

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

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

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

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(l)(i) to the consolidated financial statements.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

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

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

(q) Contract liabilities

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

(r) Interest-bearing borrowings

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

(s) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Defined contribution plans (Continued)

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

(iii) Share-based payments

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

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

(iv) Termination benefits

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

(t) Income tax

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

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

(a) a good (or a bundle of goods) that is distinct; or

(b) a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

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

(a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and

(b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

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

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

(i) Sale of goods

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(ii) Sale of others

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

(iii) Rental income from operating leases

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

(iv) Dividends

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

(v) Interest income

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

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

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

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

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

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

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

Impairments

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

(ii) The Group estimates the loss allowances for trade receivables, contract assets and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables, contract assets and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables, contract assets and other receivables during their expected lives.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Impairments (Continued)

(iii) Impairment losses for inventories are assessed and provided based on the directors' regular review on a product-by-product basis and makes allowances by reference to the historical assumptions and estimations, ageing profile and subsequent selling prices.

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

Fair value determination of investment properties

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

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

Fair value determination of unlisted equity security

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

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

Deferred tax assets

Deferred tax assets are recognised for certain temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2024 was HK$1,452,000 (2023: HK$1,327,000). The amount of unrecognised tax losses at 31 December 2024 was HK$319,044,000 (2023: HK$242,723,000). Further details are contained in note 25 to the consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	2024 HK$'000	2023 HK$'000
Sales of automotive components	444,860	445,241
Sales of hydraulic equipment components	485,904	364,444
Sales of electronic equipment components	27,244	36,192
Sales of CNC lathes	24,797	28,334
Others	27,201	24,522
Total	1,010,006	898,733

The Group's customer base is diversified and does not have any individual customer (2023: Nil) with whom transactions have exceeded 10% of the Group's revenue.

(b) Segment reporting

(i) Segment results

The Group manages its businesses by divisions, which are organised by the geographical locations of the customers. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Thailand;

(b) Malaysia;

(c) Mainland China, Macau and Hong Kong;

(d) North America;

(e) Europe; and

(f) Other countries.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Segment results, assets and liabilities

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

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

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

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Segment results, assets and liabilities (Continued)

	2023							
	Thailand HK$'000	Malaysia HK$'000	Mainland China, Macau and Hong Kong HK$'000	North America HK$'000	Europe HK$'000	Other countries HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers recognised by:								
– point in time	17,933	34,239	427,200	167,033	196,137	27,857	–	870,399
– over time	–	–	28,334	–	–	–	–	28,334
	17,933	34,239	455,534	167,033	196,137	27,857	–	898,733
Inter-segment revenue	9,814	–	–	–	–	–	(9,814)	–
Reportable segment revenue	27,747	34,239	455,534	167,033	196,137	27,857	(9,814)	898,733
Reportable segment profit								
Gross profit	4,446	8,489	112,941	41,413	48,628	6,907	–	222,824

(ii) Geographic information

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information (Continued)

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

	2024 HK$'000	2023 HK$'000
Mainland China	1,019,451	984,862
Hong Kong	55,816	58,451
Thailand	25,309	22,578
	1,100,576	1,065,891

4 OTHER INCOME

	2024 HK$'000	2023 HK$'000
Government grants *(Note)*	9,418	10,872
Insurance claim	–	8,208
Interest income	8,433	14,335
Net gain on disposal of other property, plant and equipment	–	4,704
Dividend income	2,686	2,376
Net exchange gain	–	4,703
Rental income from investment properties	8,238	9,753
Reversal of provision for surcharge on land use right *(note 19(ii))*	6,238	–
Others	5,628	7,064
	40,641	62,015

Note: During the year ended 31 December 2024, the Group received conditional government subsidies of HK$4,415,000 (2023: HK$8,586,000) as subsidies for technological improvement, employment subsidy and research and development projects of the Group's PRC subsidiaries.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2024 HK$'000	2023 HK$'000
(a) Finance costs		
Interest on bank and other loans	**13,768**	10,112
Financial arrangement fees	**1,675**	1,021
Interest on lease liabilities	**129**	106
	15,572	11,239

	2024 HK$'000	2023 HK$'000
(b) Staff costs		
Salaries, wages and other benefits	**251,602**	248,534
Contributions to defined contribution retirement plan *(Note)*	**26,830**	19,462
Equity settled share-based payment expenses *(note 24)*	**–**	141
	278,432	268,137

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

5 PROFIT BEFORE TAXATION (Continued)

	2024 HK$'000	2023 HK$'000
(c) Other items		
Cost of inventories *(note i)*	**724,301**	675,909
Depreciation		
– owned property, plant and equipment	**92,156**	97,932
– right-of-use assets	**908**	1,016
Amortisation of intangible assets (included in administrative expenses)	**10,526**	1,344
Amortisation of leasehold land	**2,168**	2,079
Lease payments not included in the measurement of lease liabilities	**451**	92
Research and development costs *(note ii)*	**80,641**	57,696
Auditor's remuneration		
– audit services	**1,555**	1,450
– other services	**25**	900
Loss (Gain) on disposal of other property, plant and equipment	**262**	(4,704)
Direct operating expenses arising from investment properties that generated rental income	**14**	63
Net exchange loss (gain)	**3,740**	(4,703)

Notes:

(i) Cost of inventories includes HK$214,070,000 (2023: HK$226,747,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) to the consolidated financial statements for each of these types of expenses.

(ii) Research and development costs includes HK$55,510,000 (2023: HK$28,681,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) to the consolidated financial statements for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2024 HK$'000	2023 HK$'000
Current tax		
Hong Kong Profits Tax		
Provision for current income tax	810	1,672
Under-provision in prior years	1,746	–
	2,556	1,672
PRC corporate income tax		
Provision for current income tax	9,397	8,098
Over-provision in prior years	(1,412)	(4,656)
	7,985	3,442
Thailand's income tax		
Provision for current income tax	488	–
Under-provision in prior years	–	16
	488	16
	11,029	5,130
Deferred tax		
Origination and reversal of temporary differences	(2,673)	8,598
	8,356	13,728

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

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year ended 31 December 2024 except that the first HK$2 million estimated assessable profits of one of the subsidiaries in Hong Kong is calculated at 8.25% (2023: 8.25%).

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Company in the PRC are liable to PRC corporate income tax at a rate of 25% for 2024 (2023: 25%) except for:

— Guangzhou Xin Hao Precision Technology Company Limited ("Guangzhou Xin Hao"), Guangzhou Hui Tong Precision Hydraulic Co., Ltd. ("Guangzhou Hui Tong"), Guangzhou Huitong Hydraulic Research Institute Company Limited, Jiangsu Kemai Hydraulic control System Company Limited ("Jiangsu Kemai"), Yutai Hydraulic Technology (Shanghai) Company Limited ("Yutai Hydraulic") and Wuhu Inno Hydraulic Technology Company Limited ("Wuhu Inno") which were certified as "High & New Technological Enterprise", and entitled to the preferential income tax rate of 15%.

— Cullygrat Surface & Deburring Treatment (Taicang) Company Limited ("Cullygrat Surface Taicang") and Guangzhou Baoshun Commercial Service Co., Ltd ("Guangzhou Baoshun") were recognised as "Small and Low-profit Enterprises" and entitled to the preferential income tax rate of 5% (2023: 5%).

(iv) Integrated Precision Engineering (Thailand) Company Limited ("IPE Thailand"), a subsidiary incorporated in Thailand, is subject to income tax in Thailand at a rate of 20% (2023: 20%).

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

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

	2024 **HK$'000**	2023 HK$'000
Profit before taxation	**38,467**	29,373
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**2,830**	(345)
Effect of tax concessions for subsidiaries	**(228)**	(471)
Super deduction on research and development expenses	**(10,470)**	(8,933)
Tax effect of non-deductible expenses	**9,169**	13,985
Tax effect of non-taxable income	**(6,246)**	(5,058)
Tax effect of unused tax losses not recognised	**15,331**	19,834
Unrecognised temporary difference	**432**	351
Utilisation of previously unrecognised tax losses	**(2,336)**	(720)
Net (over) under-provision in prior years	**334**	(4,640)
Others	**(460)**	(275)
Actual tax expense	**8,356**	13,728

7 DIRECTORS' EMOLUMENTS

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

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

7 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2023						
Executive directors:						
Mr. Zeng Guangsheng	250	2,087	530	–	18	2,885
Mr. Ng Hoi Ping	250	1,298	331	–	123	2,002
Non-executive directors:						
Ms. Zeng Jing	250	–	–	–	–	250
Mr. Chen Kuangguo	250	–	–	–	–	250
Independent non-executive directors:						
Mr. Yang Rusheng	150	–	–	–	–	150
Mr. Cheung Chun Yue, Anthony	150	–	–	–	–	150
Mr. Zhu Jianbiao	150	–	–	–	–	150
	1,450	3,385	861	–	141	5,837

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(iii) to the consolidated financial statements.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 24 to the consolidated financial statements.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2023: two) are directors whose emoluments are disclosed in note 7 to the consolidated financial statements. The aggregate of the emoluments in respect of the other three (2023: three) individuals are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and other benefits in kind	2,719	2,643
Discretionary bonuses	624	977
Pension scheme contributions	186	45
	3,529	3,665

The emoluments of the three (2023: three) individuals with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK$500,001 to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	1	1
	3	3

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$10,597,000 (2023: HK$5,667,000) and the weighted average of 1,052,254,000 ordinary shares (2023: 1,052,254,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for years ended 31 December 2024 and 2023 were the same as the basic earnings per share.

At 31 December 2024, 104,100,000 (2023: 105,400,000) share options (see note 24 to the consolidated financial statements) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices of the Company's shares for the period during which the options were outstanding.

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in leasehold land held for own use carried at cost HK$'000	Other properties leased for own use carried at cost HK$'000	Freehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Investment properties HK$'000	Total HK$'000
Cost or valuation:										
At 1 January 2023	72,454	7,442	748,259	17,602	1,548,738	117,321	13,615	10,644	135,132	2,671,207
Representing										
Cost	72,454	7,442	748,259	17,602	1,548,738	117,321	13,615	10,644	–	2,536,075
Valuation-2023	–	–	–	–	–	–	–	–	135,132	135,132
	72,454	7,442	748,259	17,602	1,548,738	117,321	13,615	10,644	135,132	2,671,207
Additions	48	–	16,369	–	45,144	12,788	713	27,867	–	102,929
Transfer from construction in progress	–	–	–	–	8,794	530	–	(9,324)	–	–
Addition through acquisition of subsidiaries	10,890	5,050	50,766	–	57,281	6,693	2,548	6,713	–	139,941
Disposals	–	–	(889)	–	(77,088)	(5,936)	(44)	–	–	(83,957)
Fair value adjustment	–	–	–	–	–	–	–	–	(2,557)	(2,557)
Exchange adjustment	(1,282)	(500)	(9,764)	(233)	(22,780)	(1,763)	(163)	(557)	(2,386)	(39,428)
At 31 December 2023	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	130,189	2,788,135
Representing										
Cost	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	–	2,657,946
Valuation-2023	–	–	–	–	–	–	–	–	130,189	130,189
	82,110	11,992	804,741	17,369	1,560,089	129,633	16,669	35,343	130,189	2,788,135
Additions	–	–	13,333	–	54,144	18,250	52	104,375	–	190,154
Transfer from construction in progress	–	–	106,758	3,241	10,569	3,866	–	(124,434)	–	–
Disposals	–	(6,711)	(127)	–	(58,298)	(2,777)	(532)	–	–	(68,445)
Fair value adjustment	–	–	–	–	–	–	–	–	(732)	(732)
Contract modification	–	205	–	–	–	–	–	–	–	205
Exchange adjustment	(3,566)	(429)	(25,982)	(526)	(51,354)	(4,830)	(466)	(917)	(3,483)	(91,553)
At 31 December 2024	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	125,974	2,817,764
Representing										
Cost	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	–	2,691,790
Valuation-2024	–	–	–	–	–	–	–	–	125,974	125,974
	78,544	5,057	898,723	20,084	1,515,150	144,142	15,723	14,367	125,974	2,817,764

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

(a) Reconciliation of carrying amount (Continued)

	Ownership interests in leasehold land held for own use carried at cost HK$'000	Other properties leased for own use carried at cost HK$'000	Freehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Investment properties HK$'000	Total HK$'000
Accumulated depreciation:										
At 1 January 2023	(8,237)	(4,657)	(387,474)	(17,316)	(1,325,882)	(84,391)	(10,087)	–	–	(1,838,044)
Charge for the year (note 5)	(2,079)	(1,016)	(23,569)	(548)	(61,978)	(10,445)	(1,392)	–	–	(101,027)
Addition through acquisition of subsidiaries	(1,968)	(1,860)	(7,532)	–	(16,509)	(3,893)	(1,563)	–	–	(33,325)
Written back on disposals	–	–	587	–	76,993	5,065	43	–	–	82,688
Exchange adjustment	478	511	5,265	495	17,782	1,345	77	–	–	25,953
At 31 December 2023	(11,806)	(7,022)	(412,723)	(17,369)	(1,309,594)	(92,319)	(12,922)	–	–	(1,863,755)
Charge for the year (note 5)	(2,168)	(908)	(20,758)	(472)	(57,221)	(12,621)	(1,084)	–	–	(95,232)
Written back on disposals	–	4,584	93	–	55,117	2,051	256	–	–	62,101
Exchange adjustment	1,321	271	13,056	466	33,658	3,329	362	–	–	52,463
At 31 December 2024	(12,653)	(3,075)	(420,332)	(17,375)	(1,278,040)	(99,560)	(13,388)	–	–	(1,844,423)
Net book value:										
At 31 December 2024	65,891	1,982	478,391	2,709	237,110	44,582	2,335	14,367	125,974	973,341
At 31 December 2023	70,304	4,970	392,018	–	250,495	37,314	3,747	35,343	130,189	924,380

Notes:

(i) The freehold land amounting to THB19,201,000 (equivalent to HK$4,353,000) included in freehold land and buildings is situated in Thailand (2023: THB19,201,000 (equivalent to HK$4,386,000)).

(ii) As at 31 December 2024, the Group is in the process of applying for the title certificates of a land use right and certain properties with carrying value of approximately HK$1,542,000 (2023: HK$1,672,000) and HK$25,206,000 (2023: HK$26,858,000), respectively. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(iii) All of the Group's investment properties were revalued as at 31 December 2024. The valuations were carried out by an independent professional valuer, BMI Appraisal Limited, who have among their staff with recent experience in the location and category of property being valued. The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date. For more quantitative information on the valuation of investment properties, please refer to note 27 to the consolidated financial statements.

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

(b) Right-of-use asset

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

	2024 HK$'000	2023 HK$'000
Included in other property, plant and equipment:		
– Ownership interests in leasehold land held for own use	**65,891**	70,304
– Other properties leased for own use	**1,982**	4,970
	67,873	75,274
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of:		
– between 10 and 50 years	**125,974**	130,189

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

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land held for own use	**2,168**	2,079
– Other properties leased for own use	**908**	1,016
Interest on lease liabilities	**129**	106
Expense relating to short-term leases and other leases	**451**	92

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

(c) Investment properties

The Group leases out investment properties under operating leases. The leases run for an initial period of 3 and 6 years (2023: 2 and 6 years), with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year or every three years to reflect market rentals.

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

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

	2024 HK$'000	2023 HK$'000
Year 1	**7,504**	9,003
Year 2	**7,620**	5,309
Year 3	**6,387**	5,427
Year 4	**4,670**	4,755
Year 5	**1,168**	4,755
Over year 5	**–**	1,189
	27,349	30,438

11 INTANGIBLE ASSETS

	Computer Software HK$'000	Patents HK$'000	Total HK$'000
Cost:			
At 1 January 2023	–	6,820	6,820
Addition through acquisition of subsidiaries	747	64,558	65,305
Exchange adjustment	–	(153)	(153)
At 31 December 2023 and 1 January 2024	747	71,225	71,972
Exchange adjustment	(27)	(2,544)	(2,571)
At 31 December 2024	**720**	**68,681**	**69,401**
Accumulated amortisation:			
At 1 January 2023	–	(2,532)	(2,532)
Charge for the year	–	(1,344)	(1,344)
Exchange adjustment	–	266	266
At 31 December 2023 and 1 January 2024	–	(3,610)	(3,610)
Charge for the year	(99)	(10,427)	(10,526)
Exchange adjustment	2	357	359
At 31 December 2024	**(97)**	**(13,680)**	**(13,777)**
Net book value:			
At 31 December 2024	**623**	**55,001**	**55,624**
At 31 December 2023	747	67,615	68,362

Included in the patents are amounts of HK$53,343,000 (2023: HK$64,558,000) representing the carrying amount of patents for manufacturing integrated hydraulic valve products, which was acquired through acquisition of subsidiaries in 2023. At the end of the reporting period, the remaining amortisation period of the patents are 6 years (2023: 7 years).

12 GOODWILL

	2024 HK$'000	2023 HK$'000
Cost and carrying amount		
At 1 January	**69,206**	10,196
At date of acquisition of subsidiaries	**–**	58,761
Exchange adjustment	**(2,473)**	249
At 31 December	**66,733**	69,206

Impairment tests for cash-generating units containing goodwill

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

	Note	2024 HK$'000	2023 HK$'000
Jiangsu Kemai	(i)	**10,072**	10,445
Yutai Hydraulic and Wuhu Inno (together as "Yutai Hydraulic Group")	(ii)	**56,661**	58,761
		66,733	69,206

Notes:

(i) The recoverable amount of the Jiangsu Kemai is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted sales growth rate of the five-year period is 4% (2023: 3%). Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated sales growth rate of 2% (2023: 2%), which was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term inflation rate of the PRC. The cash flows are discounted using a discount rate of 15.9% (2023: 13.3%). The discount rates used are pre-tax and reflect specific risks relating to the Jiangsu Kemai.

(ii) The recoverable amount of the Yutai Hydraulic Group is reference to business valuations of Yutai Hydraulic Group determined under market-based and asset-based approaches, which is the fair value less costs of disposal. The valuations were carried out by an independent professional valuer, BMI Appraisal Limited, who have among their staff with recent experience in the category of business being valued. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuations are performed at the reporting date. For more quantitative information on the valuations of the goodwill related to Yutai Hydraulic Group, please refer to note 27 to the consolidated financial statements.

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
IPE Thailand	Thailand	THB150,000,000	99.99%	–	99.99%	Trading and manufacture of precision metal components
Integrated Precision Engineering Company Limited	Hong Kong	HK$3,000,000	100%	–	100%	Trading of precision metal components and investment holding
Dongguan Koda Metal Products Company Limited (notes i and ii)	The PRC	HK$213,000,000	100%	–	100%	Manufacture of precision metal components
Guangzhou Xin Hao (notes i and ii)	The PRC	HK$900,000,000	100%	–	100%	Manufacture of precision metal components
Cullygrat Surface Taicang (note ii)	The PRC	HK$5,000,000	61%	–	61%	Surface and deburring treatment services
International Precision Engineering Company Limited	Hong Kong	HK$1,000	100%	–	100%	Investment holding
Jiangsu Koda Precision Engineering Company Limited (notes i and ii)	The PRC	US$47,200,000	100%	–	100%	Manufacture of precision metal components
Changshu Keyu Greystone Machining Company Limited (note ii)	The PRC	US$1,300,000	85%	–	100%	Trading and manufacture of precision metal components
Jiangsu De Shang Intelligent Equipment Company Limited (note ii)	The PRC	RMB17,455,000	90%	–	90%	Trading and manufacture of intelligent equipment
IPE Precision Machinery Limited	Hong Kong	HK$100,000	100%	–	100%	Trading of precision metal components
Guangzhou Hui Tong Precision Hydraulic Co., Ltd. ("Guangzhou Hui Tong") (notes ii and iii)	The PRC	RMB91,500,000 (2023: RMB86,500,000)	54.64% (2023: 57.80%)	–	54.64% (2023: 57.80%)	Manufacture of precision metal components
Jiangsu Kemai (notes ii and iii)	The PRC	RMB45,000,000	52.32% (2023: 55.35%)	–	95.76%	Manufacture of precision metal components
Yutai Hydraulic (notes ii and iii)	The PRC	RMB23,361,650	40.98% (2023: 43.35%)	–	75%	Trading and manufacture of precision metal components
Wuhu Inno (notes ii and iii)	The PRC	RMB22,222,200	44.19% (2023: 46.745%)	–	97%	Trading and manufacture of precision metal components

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(i) The subsidiaries are registered under PRC law as a wholly foreign-owned enterprises.

(ii) The subsidiaries are registered under PRC law as limited liability companies.

(iii) Capital contribution from non-controlling shareholders amounted to RMB5,667,000 (equivalent to HK$6,139,000) was made during the year end, as a result, the Group's effective interest in Guangzhou Hui Tong, Jiangsu Kemai, Yutai Hydraulic and Wuhu Inno was diluted to 54.64%, 52.32%, 40.98% and 44.19% respectively. The dilution of the Group's effective interest does not result in loss of control.

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

(a) Non-controlling interests

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

	2024 HK$'000	2023 HK$'000
NCI percentage	45.36%	42.20%
Current assets	519,070	569,239
Non-current assets	336,646	378,166
Current liabilities	(387,697)	(486,468)
Non-current liabilities	(212,354)	(209,774)
Net assets	255,665	251,163
Carrying amount of NCI	150,492	131,221
Revenue	434,763	351,880
Profit for the year	32,896	36,893
Total comprehensive income for the year	28,949	19,036
Profit allocated to NCI	14,922	9,057
Cashflows (used in) from operating activities	(97,416)	75,210
Cashflows used in investing activities	(74,117)	(82,680)
Cashflows from financing activities	127,220	130,674

14 INTEREST IN AN ASSOCIATE

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued capital		Proportion of ownership interest: Group's effective interest		Proportion of ownership interest: Held by a subsidiary		Principal activity
			2024	2023	**2024**	2023	**2024**	2023	
Shenzhen X-TEC Technology Company Limited ("Shenzhen X-TEC")	Incorporated	The PRC	**RMB 16,280,362**	RMB 16,280,362	**10.53%**	10.53%	**10.53%**	10.53%	Development and trading of software and equipments

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

Significant judgements and assumptions

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

Relationship with the associate

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

14 INTEREST IN AN ASSOCIATE (Continued)

Relationship with the associate (Continued)

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

	2024 HK$'000	2023 HK$'000
Gross amounts of the associate		
Current assets	33,242	20,728
Non-current assets	2,545	4,061
Current liabilities	(29,990)	(12,714)
Equity	5,797	12,075
Revenue	36,298	23,985
Loss from continuing operations	(5,977)	(9,841)
Total comprehensive loss	(5,977)	(9,841)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	5,797	12,075
Group's effective interest	10.53%	10.53%
Group's share of net assets of the associate	1,023	1,745
Carrying amount in the consolidated financial statements	1,023	1,745

Unrecognised share of loss of the associate

No unrecognised share of loss of the associate for the current year and cumulatively up to the end of the reporting period (2023: Nil).

15 FINANCIAL ASSETS AT FVPL

	2024 HK$'000	2023 HK$'000
Equity securities		
– equity securities listed in Hong Kong	**3,369**	5,847
– ordinary shares of a listed entity/preferred shares of a non-listed entity *(note i)*	**10,948**	10,505
– unlisted equity security in Hong Kong *(note ii)*	**16,508**	–
	30,825	16,352
Other investment		
– unlisted wealth management product outside Hong Kong *(note iii)*	**–**	550
	30,825	16,902

Note:

(i) The Group subscribed for 87,413 (2023: 87,413) Series C Preferred Shares ("Preferred Shares") at a subscription consideration of RMB6,500,000 (2023: RMB6,500,000), which was approximately 0.78% of all shares outstanding of Betters Medical Investment Holdings Limited ("Betters Medical") at an as-converted basis. Betters Medical was subsequently listed on the US stock exchange in the first quarter of 2024 and the Preferred Shares were converted into 256,425 Ordinary Shares according to the share allotment.

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

	2024 HK$'000	2023 HK$'000
At fair value		
At 1 January	**10,505**	9,505
Changes in fair value of the Ordinary Shares	**443**	1,000
At 31 December	**10,948**	10,505

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

(iii) In 2023, the Group invested in unlisted wealth management products issued by banks in the PRC. These products comprised of listed and unlisted debt securities funds and other financial products. There are no fixed or determinable returns of these products and returns of principal are not guaranteed.

Details of the fair value of the Group's investment in equity securities and unlisted wealth management product are set out in note 27 to the consolidated financial statements.

16 INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	**97,580**	99,655
Consumables	**16,321**	16,616
Work in progress	**70,298**	88,445
Finished goods	**134,722**	125,787
	318,921	330,503

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

	2024 HK$'000	2023 HK$'000
Carrying amount of inventories sold	**737,924**	668,563
(Reversal of write-down) Write-down of inventories	**(13,623)**	7,346
Cost of inventories	**724,301**	675,909

As a result of better quality and conditions of the inventories, there was an increase in the net realisable value of HK$13,623,000. Accordingly, provisions made in previous years against the carrying value of inventories of HK$13,623,000 (2023: Nil) have been reversed and recognised as a reduction in the amount of inventories recognised as expense.

17 TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade debtors, net of loss allowance	**310,370**	269,645
Bills receivables *(note i)*	**59,898**	54,242
Other debtors, net of loss allowance *(note ii)*	**20,907**	20,146
Contract assets *(note iii)*	**25,204**	17,131
Financial assets measured at amortised cost	**416,379**	361,164
Deposits and prepayments	**16,370**	26,738
Prepayment for purchasing property, plant and equipment	**1,864**	14,800
Deductible input value added taxes	**21,310**	17,768
	455,923	420,470

Notes:

(i) The Group accepts bank acceptance bills from major banks in the PRC for settlement of trade debts. The management considered that the risk of these bills relates substantially to credit risk. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as a financial asset. The bills are non-interest bearing and expected to be recovered within 12 months.

(ii) Other debtors are unsecured, interest-free and repayable on demand. The amount is expected to be recovered within 12 months.

(iii) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within HKFRS 15 during the reporting period are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**17,131**	–
Addition through acquisition of subsidiaries	**–**	2,982
Transferred to trade receivables	**(16,887)**	–
Recognition of revenue	**25,204**	14,149
Exchange adjustment	**(244)**	–
At 31 December	**25,204**	17,131

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

All of trade and other receivables are expected to be recovered or recognised as expense within one year. The Group does not hold any collaterals over the trade and other receivables as at 31 December 2024 (2023: Nil).

17 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

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

	2024 HK$'000	2023 HK$'000
Within 1 month	**175,321**	106,371
1 to 2 months	**71,405**	85,440
2 to 3 months	**51,043**	50,517
3 to 4 months	**35,049**	34,399
4 to 12 months	**37,450**	47,160
	370,268	323,887

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

18 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances comprise:

	2024 HK$'000	2023 HK$'000
Deposits with banks	**34,886**	25,000
Cash at bank and on hand	**515,007**	671,499
Less: pledged and restricted deposits	**(34,733)**	(22,099)
Cash and cash equivalents in the consolidated statement of financial position	**515,160**	674,400

At the end of the reporting period, the bank balances of the Group denominated in RMB placed with banks in the PRC amounted to HK$421,497,000 (2023: HK$571,570,000). RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. All cash at bank earns interest at floating daily bank deposit rates.

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

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

	Notes	2024 HK$'000	2023 HK$'000
Profit before taxation		**38,467**	29,373
Adjustments for:			
Depreciation	5(c)	**93,064**	98,948
Amortisation of leasehold land	5(c)	**2,168**	2,079
Amortisation of intangible assets	5(c)	**10,526**	1,344
(Reversal of) Provision for impairment losses on receivables		**(4,924)**	4,501
Reversal of provision for surcharge on land use right		**(6,238)**	–
Finance costs	5(a)	**15,572**	11,239
Interest income	4	**(8,433)**	(14,335)
Dividend income	4	**(2,686)**	(2,376)
Share of loss of an associate	14	**631**	1,158
Loss (Gain) on disposal of other property, plant and equipment	5(c)	**262**	(4,704)
Equity-settled share-based payment expenses	5(b)	**–**	141
Foreign exchange loss, net		**31,149**	34,415
Change in fair value of investment properties	10	**732**	2,557
Change in fair value of FVPL		**(14,473)**	1,159
Changes in working capital:			
Decrease in inventories		**1,789**	38,460
Increase in trade and other receivables		**(47,117)**	(17,858)
Decrease in trade and other payables		**(20,695)**	(29,351)
Increase in contract liabilities		**7,436**	–
Cash generated from operations		**97,230**	156,750

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

(c) Reconciliation of liabilities arising from financing activities:

	Bank and other loans HK$'000 (note 21)	Interest payable HK$'000 (note 19)	Lease liabilities HK$'000 (note 22)
At 1 January 2024	**185,546**	**687**	**5,536**
Changes from financing cash flows:			
Capital element of lease rentals paid	**–**	**–**	**(934)**
Interest element of lease rentals paid	**–**	**–**	**(129)**
New bank loans raised	**175,360**	**–**	**–**
Interest paid	**–**	**(14,086)**	**–**
Repayments of bank loans	**(64,795)**	**–**	**–**
Total changes from financing cash flows	**110,565**	**(14,086)**	**(1,063)**
Other changes:			
Interest expense	**207**	**13,561**	**129**
Lease modification	**–**	**–**	**205**
Disposal	**–**	**–**	**(1,798)**
Exchange adjustment	**(4,554)**	**–**	**(317)**
Total other changes	**(4,347)**	**13,561**	**(1,781)**
At 31 December 2024	**291,764**	**162**	**2,692**
At 1 January 2023	195,849	811	2,930
Changes from financing cash flows:			
Capital element of lease rentals paid	–	–	(986)
Interest element of lease rentals paid	–	–	(106)
Interest paid	–	(9,985)	–
Repayments of bank loans	(40,000)	–	–
Total changes from financing cash flows	(40,000)	(9,985)	(1,092)
Other changes:			
Addition through acquisition of subsidiaries	29,553	–	3,528
Interest expense	251	9,861	106
Exchange adjustment	(107)	–	64
Total other changes	29,697	9,861	3,698
At 31 December 2023	185,546	687	5,536

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

(d) Total cash outflow for leases:

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

	2024 HK$'000	2023 HK$'000
Within operating cash flows	**451**	92
Within financing cash flows	**1,063**	1,092
	1,514	1,184

	2024 HK$'000	2023 HK$'000
Lease rental paid	**1,514**	1,184

19 TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**105,160**	102,351
Interest payables	**162**	687
Other payables *(note i)*	**15,423**	23,753
Other tax payables	**6,023**	4,048
Payable for purchasing property, plant and equipment	**25,537**	5,088
Accruals *(note ii)*	**5,520**	13,524
Accrued staff cost	**26,334**	27,165
Consideration payable for acquisition of subsidiaries *(note iii)*	**–**	168,065
	184,159	344,681
Portion classified as non-current:		
Other payables	**(2,306)**	(2,364)
Current portion	**181,853**	342,317

Notes:

(i) Other payables are non-interest-bearing and have an average payment terms of three to six months, except for the amount of HK$2,306,000 (2023: HK$2,364,000) which is repayable after twelve months.

(ii) Accruals are interest-free and have an average payment terms of three months. As at 31 December 2023, HK$6,328,000 for the provision for surcharge on one of the subsidiaries' land use right was included in the balance of accruals.

(iii) It represented consideration payables to the vendors of the acquisition of subsidiaries in 2023. The amounts were unsecured, interest-free and repaid in 2024.

19 TRADE AND OTHER PAYABLES (Continued)

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

	2024 HK$'000	2023 HK$'000
Within 1 month	64,756	55,584
1 to 2 months	21,781	24,698
2 to 3 months	6,312	10,812
Over 3 months	12,311	11,257
	105,160	102,351

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

20 CONTRACT LIABILITIES

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

	2024 HK$'000	2023 HK$'000
Receipt of advances or recognition of receivables	7,436	–

For the year ended 31 December 2024, there is an increase in the overall contract activities and customer base of the Group and the negotiation of larger prepayments, thereby increasing the amount arising from the receipt of advances or recognition of receivables.

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

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are partially unsatisfied at 31 December 2024 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

21 BANK AND OTHER LOANS

At 31 December 2024, the bank and other loans were repayable as follows:

	2024 HK$'000	2023 HK$'000
Bank loans		
– Secured *(note i)*	**110,000**	150,000
– Secured with demand clause *(note ii)*	**171,541**	–
– Unsecured *(note iii)*	**4,242**	16,355
	285,783	166,355
Other loans – Non-controlling shareholders		
– Unsecured *(note iv)*	**5,981**	19,191
	291,764	185,546

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

	2024 HK$'000	2023 HK$'000
Within one year	**128,040**	51,956
In the second year	**15,863**	110,440
In the third to fifth years, inclusive	**52,835**	3,959
Over 5 years	**89,045**	–
	285,783	166,355
Portion classified as current liabilities	**(281,965)**	(51,956)
	3,818	114,399

The maturity of the other loans is as follows:

	2024 HK$'000	2023 HK$'000
Within one year – current liabilities	**5,981**	19,191

21 BANK AND OTHER LOANS (Continued)

Notes:

(i) The amounts were secured by a deposit of HK$20,000,000, guaranteed by the Company and certain of its subsidiaries, interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.5% over 1-month HIBOR and repayable in 2025 (2023: repayable between 2024 to 2025).

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2024, none of the covenants relating to drawn down facilities had been breached.

(ii) The amounts were secured by certain land and buildings with carrying amount of RMB193,244,000 (equivalent to HK$204,935,000), guaranteed by the Company and a subsidiary of the Company, interest bearing at 2.95% to 3.90% per annum and repayable between 2025 to 2029. These loans are with a clause in their terms that gives the lender an overriding right to demand repayment without notice at its sole discretion, are classified as current liabilities even though the directors do not expect that the lender(s) would exercise their rights to demand repayment.

(iii) The amounts were unsecured, interest bearing at 5% per annum, repayable between 2025 to 2027 and guaranteed by certain subsidiaries of the Company and the NCI (2023: interest bearing at 3.15% to 5%, repayable between 2024 to 2027 and guaranteed by a subsidiary of the Company and personal guaranteed given by an ex-director and a director of a subsidiary of the Company and a beneficial owner of the NCI).

(iv) The amounts were unsecured, interest bearing at 4.35% per annum and repayable in 2025 (2023: interest bearing at 4.35% per annum and repayable in 2024).

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

22 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 HK$'000	2023 HK$'000
Within 1 year	**957**	2,071
After 1 year but within 2 years	**1,477**	1,913
After 2 years but within 5 years	**258**	1,552
	2,692	5,536

23 DEFERRED INCOME

	2024 HK$'000	2023 HK$'000
At 1 January	**1,262**	1,987
Additions	**1,030**	–
Credited to profit or loss	**(1,238)**	(692)
Exchange adjustment	**(41)**	(33)
At 31 December	**1,013**	1,262
Net carrying amounts representing:		
Current portion	**585**	431
Non-current portion	**428**	831
	1,013	1,262

As at 31 December 2024 and 31 December 2023, deferred income of the Group mainly included various conditional government grants for technological improvement and Research and Development projects.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

2011 Scheme

	Number of instruments	Exercise period	Contractual life of options
Options granted to directors:			
– on 3 April 2020	40,000,000	1 March 2021 – 28 February 2026	6 years
Options granted to employees:			
– on 3 April 2020	10,200,000	1 March 2021 – 28 February 2026	6 years
– on 10 May 2021	1,700,000	1 April 2022 – 28 February 2026	5 years
	11,900,000		
Options granted to a supplier:			
– on 3 April 2020	2,000,000	1 March 2021 – 28 February 2026	6 years
Total share options granted at the end of the year	53,900,000		

2022 Scheme

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

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

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

2011 Scheme

	2024 Weighted average exercise price HK$ per share	2024 Number of options '000	2023 Weighted average exercise price HK$ per share	2023 Number of options '000
At 1 January	0.90	54,700	0.90	55,700
Lapsed during the year	0.90	(800)	0.90	(1,000)
At 31 December	0.90	53,900	0.90	54,700
Exercisable at the end of the year	0.90	53,900	0.90	54,700

The option outstanding at 31 December 2024 had an exercise price of HK$0.90 (2023: HK$0.90) and a weighted average remaining contractual life of 1.16 years (2023: 2.16 years).

2022 Scheme

	2024 Weighted average exercise price HK$ per share	2024 Number of options '000	2023 Weighted average exercise price HK$ per share	2023 Number of options '000
At 1 January	0.90	50,700	0.90	50,000
Granted during the year	–	–	0.90	1,000
Lapsed during the year	0.90	(500)	0.90	(300)
At 31 December	0.90	50,200	0.90	50,700
Exercisable at the end of the year	0.90	50,200	0.90	50,700

The option outstanding at 31 December 2024 had an exercise price of HK$0.90 (2023: HK$0.90) and a weighted average remaining contractual life of 1.77 years (2023: 2.77 years).

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2024 HK$'000	2023 HK'000
At 1 January	11,391	15,591
Addition through acquisition of subsidiaries	–	(76)
Provision for current income tax	11,029	5,130
Income tax paid	(13,400)	(9,240)
Exchange adjustment	(3,746)	(14)
At 31 December	5,274	11,391

(b) Deferred tax assets and liabilities recognised:

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

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

	Deferred tax assets			Deferred tax liabilities		
	Provision for impairment of assets HK$'000	Deductible tax loss HK$'000	Deferred income HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Investment properties revaluation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000
At 1 January 2023	16,531	5,894	298	(623)	(16,688)	(2,069)
Deferred tax credited (charged) to the statement of profit or loss during the year	(1,392)	(4,408)	(104)	67	(3,037)	276
Addition through acquisition of subsidiaries	–	–	–	–	–	(14,823)
Exchange adjustment	(93)	(159)	(5)	(6)	1,515	1,167
At 31 December 2023 and 1 January 2024	15,046	1,327	189	(562)	(18,210)	(15,449)
Deferred tax credited (charged) to the statement of profit or loss during the year	(1,990)	125	(31)	238	2,574	1,757
Exchange adjustment	(481)	–	(6)	5	(471)	57
At 31 December 2024	12,575	1,452	152	(319)	(16,107)	(13,635)

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2024 HK$'000	2023 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**14,179**	16,562
Net deferred tax liability recognised in the consolidated statement of financial position	**(30,061)**	(34,221)
	(15,882)	(17,659)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$319,044,000 (2023: HK$242,723,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The unrecognised tax losses will expire in the following years:

	2024 HK$'000	2023 HK$'000
Tax losses without expiration	**17,655**	8,419
Tax losses expiring in:		
2024	**–**	9
2025	**9,752**	11,740
2026	**25,631**	30,301
2027	**26,137**	41,248
2028	**17,043**	50,692
2029	**15,897**	–
2030	**–**	–
2031	**–**	–
2032	**49,806**	52,784
2033	**75,082**	47,530
2034	**82,041**	–
	319,044	242,723

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

(c) Deferred tax assets not recognised (Continued)

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

(d) Deferred tax liabilities not recognised

At 31 December 2024, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$571,381,000 (2023: HK$521,207,000). Deferred tax liabilities of HK$22,570,000 (2023: HK$18,051,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2023	105,225	472,201	7,905	(9,958)	51,594	799,588	1,426,555
Changes in equity for 2023							
Total comprehensive loss for the year	–	–	–	–	–	(9,023)	(9,023)
Equity settled share-based transaction	–	–	–	–	141	–	141
Balance at 31 December 2023	**105,225**	**472,201**	**7,905**	**(9,958)**	**51,735**	**790,565**	**1,417,673**
Changes in equity for 2024							
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(6,300)**	**(6,300)**
Balance at 31 December 2024	**105,225**	**472,201**	**7,905**	**(9,958)**	**51,735**	**784,265**	**1,411,373**

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2024 (2023: Nil).

(c) Issued share capital

	2024 No. of shares ('000)	2024 HK$'000	2023 No. of shares ('000)	2023 HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,052,254**	**105,225**	1,052,254	105,225

The ordinary shares of the Company have a par value of HK$0.1 per share.

(d) Nature and purpose of reserves

(i) Statutory reserve

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

(ii) Exchange reserve

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

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Contributed surplus

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

(iv) Statutory public welfare fund reserve

The statutory public welfare fund is made at the discretion of the directors at 5% of the net profit of the Company's subsidiaries which are registered in the Mainland China in prior years. The statutory public welfare fund can be used for employee's welfare facilities. The directors did not resolve to make any transfer of retained profits to the statutory public welfare fund for the year ended 31 December 2024 (2023: Nil).

(v) Properties revaluation reserve

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

(vi) Capital redemption reserve

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

(vii) Share option reserve

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

(viii) Other reserve

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

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributability of reserves

As at 31 December 2024, the aggregate amount of distributable reserves of the Company, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$1,246,508,000 (2023: HK$1,252,808,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net cash-to-capital ratio. For this purpose, adjusted net cash is defined as total cash less interest-bearing loans and borrowings. Adjusted capital comprises all components of equity.

During 2024, the Group's strategy, which was unchanged from 2023, was to maintain the cash-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's adjusted net cash-to-capital ratio at 31 December 2024 and 2023 was as follows:

	Notes	**2024** **HK$'000**	2023 HK$'000
Cash and cash equivalents	18	**515,160**	674,400
Pledged and restricted deposits	18	**34,733**	22,099
Less: Bank and other loans	21	**(291,764)**	(185,546)
Adjusted net cash		**258,129**	510,953
Total equity		**1,947,918**	1,964,190
Adjusted net cash-to-capital ratio		**13%**	26%

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables.

In respect of trade and other receivables, the Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 - 120 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Trade receivables and contract assets

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4.18% (2023: 5.77%) and 16.42% (2023: 17.68%) of the total trade receivables and contract assets was due from the Group's largest debtor and the five largest debtors respectively.

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

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

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

Trade receivables

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

	2023 Expected loss rate %	2023 Gross carrying amount HK$'000	2023 Loss allowance HK$'000
Current (not past due)	0.10%	198,727	(207)
1 – 90 days past due	0.20%	56,909	(214)
91 – 180 days past due	0.50%	7,291	(137)
181 – 365 days past due	5.00%	8,080	(804)
Over 1 years past due	100.00%	6,724	(6,724)
		277,731	(8,086)

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

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Contract assets

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

	2023 Expected loss rate %	2023 Gross carrying amount HK$'000	2023 Loss allowance HK$'000
Hydraulic industry	–	2,982	–
CNC lathes industry	–	14,149	–
		17,131	–

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

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

	2024 HK$'000	2023 HK$'000
Balance at 1 January	8,086	2,962
(Decrease) Increase in allowance	(5,437)	5,142
Exchange adjustment	(49)	(18)
Balance at 31 December	2,600	8,086

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

(a) Credit risk (Continued)

Other receivables

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

The Company considers that the remaining other receivables from third parties as at 31 December 2024 have low credit risk based on these parties' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. In estimating the ECL and whether these balances are credit-impaired, the Company has taken into account the historical actual credit loss experience over the past 3 years and the financial position of respective parties by reference to, among others, their management accounts, adjusted for forward-looking factors, in estimating the probability of default, as well as the loss upon default. The management of the Company considers the ECL of these balances to be insignificant so no loss allowance was recognised in this respect.

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

	2024 **HK$'000**	2023 HK$'000
Balance at 1 January	**2,236**	2,879
Increase (Decrease) in allowance	**513**	(641)
Exchange adjustment	**(58)**	(2)
Balance at 31 December	**2,691**	2,236

Pledged and restricted bank balances

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

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

(b) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

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

	2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 December HK$'000
Bank and other loans	80,527	112,395	4,167	–	197,089	185,546
Trade and other payables	311,104	2,364	–	–	313,468	313,468
Lease liabilities	2,257	2,031	1,684	–	5,972	5,536
	393,888	116,790	5,851	–	516,529	504,550

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank and other loans. Bank and other loans issued at variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

	2024		2023	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Variable rate borrowings:				
Bank loans	**5.81%**	**110,000**	6.46%	150,000

(ii) Sensitivity analysis

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately HK$919,000 (2023: HK$1,253,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2023.

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

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Euros dollar.

(i) Exposure to currency risk

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

	Exposure to foreign currency 2024 Euros HK$'000
Trade and other receivables	**16,780**
Cash and cash equivalents	**10,439**
Trade and other payables	**(2,449)**
Gross and net exposure arising from recognised assets and liabilities	**24,770**

	Exposure to foreign currency 2023 Euros HK$'000
Trade and other receivables	29,976
Cash and cash equivalents	7,217
Trade and other payables	(5,308)
Gross and net exposure arising from recognised assets and liabilities	31,885

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Euros	**5%**	**1,034**	5%	1,331

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

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

(e) Fair value measurement

(i) Financial instruments and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

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

(e) Fair value measurement (Continued)

(i) Financial instruments and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2023 HK$'000	Fair value measurements as at 31 December 2023 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Investment properties	130,189	–	–	130,189
Equity securities				
– equity securities listed in Hong Kong	5,847	5,847	–	–
– preferred Shares of a non-listed entity	10,505	–	–	10,505
– unlisted equity security in Hong Kong	–	–	–	–
Unlisted wealth management product outside Hong Kong	550	–	550	–
Total	147,091	5,847	550	140,694

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

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

(e) Fair value measurement (Continued)

(ii) Description of the valuation techniques and inputs used in Level 2 fair value measurement

Unlisted wealth management product

The fair value of the structured deposits is evaluated by the directors of the Company which was determined by reference to recent market transaction.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties (note 1)	Discounted cash flow	Term yield and reversionary yield	5.2% to 6.6% (2023: 4.7% to 6.6%)
		Occupancy rate	88.0% and 92.0% (2023: 88.0% and 92.0%)
		Market rent	17.38RMB/m^2 to 20.00RMB/m^2 (2023: 16.60RMB/m^2 to 20.00RMB/m^2)
Equity securities			
– Ordinary Shares of a listed entity (note 2)	Expected cash flow	Internal rate of return	15% (2023: 15%)
– Unlisted equity security in Hong Kong (note 3)	Market-based approach	Discount of lack of marketability	20.4%
		Enterprise-value-to-sale multiples	3.56
Goodwill			
– Yutai Hydraulic Group (note 4)	Market-based approach	Control Premium	32.6%
		Discount of lack of marketability	20.4%
		Enterprise-value-to-sale multiples	4.04
	Assets based approach	Price trends	0.96 to 1.06
		Age factor	5.0% to 99.4%

Note 1: The fair value of investment properties located in the Mainland China is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account market rent and occupancy rate of the respective properties. The discount rates used have been adjusted for the size and age of the buildings and asking. The fair value measurement is positively correlated to the occupancy rate, and negatively correlated to the risk-adjusted discount rates. Assuming the risk-adjusted discount rate remains unchanged, the lower the market rent and occupancy rate, the lower the fair value. If the market rent and occupancy rate were increased/decreased by 5% (2023: 5%), the fair value of the investment properties would be 5% (2023:4%) higher/lower.

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

(e) Fair value measurement (Continued)

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

Note 2: The fair value of ordinary shares of a listed entity is evaluated by the directors of the Company with reference to expected cash flow of the ordinary shares. The higher the internal rate of return, the higher the fair value. If the internal rate of return was increased/decreased by 2% (2023: 2%), the fair value of ordinary shares would be 5% (2023: 4%) higher/lower.

Note 3: The fair value of unlisted equity security in Hong Kong is determined under a market approach. The valuation takes into account the discount of lack of marketability and enterprise-value-to-sales multiples of the respective business. The discount of lack of marketability was the average of the percentage variance of private placement price and market reference price of transactions, the level of value is presented on freely trade and non-controlling basis. The multiples were estimated by the median of the multiples of the selected companies whose principal business were comparable to that company. The higher the discount for lack of marketability, the lower the fair value. If the discount for lack of marketability rate was increased/decreased by 1% while other parameter remains constant, the fair value of the unlisted equity security in would be 1% higher/lower.

Note 4: The fair value of goodwill of Yutai Hydraulic Group is determined under market-based and asset-based approaches. The market-based approach takes into account the discount of lack of marketability, control premium and enterprise-value-to-sale multiples of the respective business. The control premium was adopted to reflect the degree of control associated with 100% equity interests of the company as the discount of lack of marketability adopted is on a non-controlling basis. The discount of lack of marketability was the average of the percentage variance of private placement price and market reference price of transactions, the level of value is presented on freely trade and non-controlling basis. while the multiples were estimated by the median of the multiples of the selected companies whose principal business were comparable to that company. The higher the discount for lack of marketability, the lower the fair value. If the enterprise-value-to-sale multiples and age factor were increased/decreased by 5% while other parameters remain constant, the fair value of goodwill related to Yutai Hydraulic Group would be 5% higher/lower.

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

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

	Investment properties HK$'000	Preferred shares of a non-listed entity HK$'000	Unlisted equity security in Hong Kong HK$'000	Total HK$'000
At 1 January 2023	135,132	9,505	–	144,637
Fair value adjustment	(2,557)	1,000	–	(1,557)
Exchange adjustment	(2,386)	–	–	(2,386)
At 31 December 2023	130,189	10,505	–	140,694

28 COMMITMENTS

Capital commitments outstanding at 31 December 2024 not provided for in the consolidated financial statements were as follows:

	2024 HK$'000	2023 HK$'000
Contracted for:		
– Plant and machinery	**3,299**	5,966
– Buildings	**15,321**	86,641
	18,620	92,607

29 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	2024 HK$'000	2023 HK$'000
Salaries, allowances and other benefits in kind	**8,856**	7,765
Discretionary bonuses	**2,135**	1,686
Equity-settled share option expense	**–**	141
Pension scheme contributions	**455**	420
	11,446	10,012

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

Investment from a related party

In 2021, a subsidiary of the Group agreed with a related party, in the capacity of the subsidiary's minority shareholder, to obtain a capital injection of RMB15,000,000 (equivalent to HK$15,907,500) (2023: RMB15,000,000 (equivalent to HK$16,497,000)) by instalments over a three-year period. The above-mentioned related party is owned by a director of the Company, and a director and general manager of certain subsidiaries of the Group. In January 2022 and March 2024, the subsidiary received first and second batch of injection amounted to RMB1,500,000 (equivalent to HK$1,590,750) and RMB5,000,000 (equivalent to HK$5,302,500) respectively from this related party. The remaining capital injection of RMB8,500,000 (equivalent to HK$9,014,250) is committed by the related party to inject on or before 31 December 2025.

Other than the above investment from a related party, none of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2024 HK$'000	2023 HK$'000
Non-current assets		
Investments in subsidiaries	**43**	43
Amounts due from subsidiaries	**1,441,125**	1,446,350
Total non-current assets	**1,441,168**	1,446,393
Current assets		
Financial assets at FVPL	**10,944**	10,505
Prepayments, deposits and other receivables	**328**	318
Cash and cash equivalents	**549**	516
Total current assets	**11,821**	11,339
Current liability		
Other payables and accruals	**1,139**	2,024
Net current assets	**10,682**	9,315
Total assets less current liabilities	**1,451,850**	1,455,708
Non-current liability		
Amounts due to subsidiaries	**40,477**	38,035
Net assets	**1,411,373**	1,417,673
Equity		
Issued capital	**105,225**	105,225
Reserves (Note 26(a))	**1,306,148**	1,312,448
Total equity	**1,411,373**	1,417,673

This statement of financial position was approved and authorised for issue by the Board of the Directors on 28 March 2025 and is signed on its behalf by:

Zeng Guangsheng
Director

Ng Hoi Ping
Director

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, and a new standard, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to HKFRS 9 and HKFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Annual Improvements to HKFRSs, *Volume 11*	1 January 2026
Amendments to HKFRS 9 and HKFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
HKFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027
HKFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors of the Company are in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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