



**MORIMATSU**  
Your Needs · Our Drive

**Morimatsu International Holdings Company Limited**

**森松國際控股有限公司**

(Incorporated in Hong Kong with limited liability)

Stock code : 2155



**2024**  
Interim Report



# Contents

Corporate Information	2
Definitions and Glossary	4
Management Discussion and Analysis	8
Supplemental Information	32
Consolidated Statements of Profit or Loss	47
Consolidated Statements of Profit or Loss and Other Comprehensive Income	48
Consolidated Statements of Financial Position	49
Consolidated Statements of Changes in Equity	51
Condensed Consolidated Cash Flow Statements	53
Notes to Unaudited Interim Financial Report	54

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Nishimatsu Koei  
Mr. Hirazawa Jungo  
Mr. Tang Weihua  
Mr. Sheng Ye  
Mr. Kawashima Hirotake

### Non-executive Directors

Mr. Matsuhisa Terumoto (*Chairperson*)

### Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly  
Mr. Kanno Shinichiro  
Mr. Yu Jianguo

## REGISTERED OFFICE

29/F, One Exchange Square  
8 Connaught Place, Central, Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 29 Jinwen Road, Zhuqiao Town  
Pudong New District, Shanghai, PRC

## COMPANY'S WEBSITE ADDRESS

[www.morimatsu-online.com](http://www.morimatsu-online.com)

## JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap  
Ms. Lau Wai Yee

## AUTHORISED REPRESENTATIVES

Mr. Nishimatsu Koei  
Ms. Lau Wai Yee

## AUDIT COMMITTEE

Ms. Chan Yuen Sau Kelly (*Chairperson*)  
Mr. Kanno Shinichiro  
Mr. Matsuhisa Terumoto

## REMUNERATION COMMITTEE

Mr. Yu Jianguo (*Chairperson*)  
Ms. Chan Yuen Sau Kelly  
Mr. Matsuhisa Terumoto

## NOMINATION COMMITTEE

Mr. Matsuhisa Terumoto (*Chairperson*)  
Mr. Kanno Shinichiro  
Mr. Yu Jianguo

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China Shanghai Zhangqiao Branch  
2/F, 600 Jialin Road  
Pudong New District, Shanghai, PRC

Mizuho Bank (China) Limited  
21/F, Shanghai World Financial Centre  
100 Century Avenue  
Pudong New District, Shanghai, PRC

Sumitomo Mitsui Banking Corporation (China) Limited  
11/F, Shanghai World Financial Centre  
100 Century Avenue  
Pudong New District, Shanghai, PRC

## LEGAL ADVISER AS TO HONG KONG LAW

Jingtian & Gongcheng LLP  
Suites 3203–3207, 32/F, Edinburgh Tower  
The Landmark, 15 Queen's Road Central  
Central, Hong Kong

## AUDITORS

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

## STOCK CODE

2155

## Definitions and Glossary

“AGM”	refers to the annual general meeting of the Company
“Audit Committee”	refers to the Audit Committee under the board of directors
“biopharmaceuticals”	refers to products that are made from organisms, biological tissues, cells, body fluids, etc. by using the principles, approaches and research results of microbiology, chemistry, biochemistry, medicine and other subjects
“bioreactor”	the devices that grow animal cells, bacteria or yeast, etc. under controlled conditions, and are used to produce antibodies, vaccines, insulin or other drugs in the pharmaceutical manufacturing process
“capital expenditure projects”	the large-scale capital expenditure projects of enterprises in the downstream industry, mainly used for the construction of new process units or the purchase of large-scale core industrial equipment and high-value industrial solutions
“CG Code”	refers to the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Mr. Matsuhisa Terumoto, Morimatsu Holdings and Morimatsu Group
“Current Trajectory”	refers to one of the two scenarios discussed in the report of Energy Outlook 2024 published by BP p.l.c. in July 2024
“CXO”	Contract X Organization, a pharmaceutical outsourcing service, mainly including organizations that serve the three major links of research and development, production and sales in the pharmaceutical industry
“electrolyte”	means the carrier for ion transport in a battery. It is generally composed of lithium salts and organic solvents, and as a conductor of ions between the positive and negative electrodes of a lithium battery. The electrolyte is generally composed of high purity organic solvents, electrolytic lithium salts, necessary additives and other raw materials, and is prepared under certain conditions and in a certain ratio
“electronic chemicals”	refers to the fine chemical products supporting the electronic industry, one of the important supporting materials for the electronic industry. The quality of electronic chemicals not only directly affects the quality of electronic products, but has significant effect on the industrialisation of the microelectronic manufacturing technology. The development of the electronic industry requires synchronisation of the electronic chemical industry. Therefore, electronic chemical has become one of the key materials prioritised by all countries around the world in order to develop the electronic industry
“EUR” or “Euro”	refers to euro, the lawful currency of the Eurozone
“Global Offering”	the offer of the Shares for subscription as described in the section headed “Structure of the Global Offering” in the Prospectus
“HKD” or “HK\$”	refers to Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	refers to the Hong Kong Special Administrative Region of the PRC
“IFRS(s)”	refers to International Financial Reporting Standards

“India”	refers to the Republic of India
“installed capacity”	refers to the number of generator sets installed or the generating capacity of the generator sets
“Italy”	refers to the Republic of Italy
“Japan”	refers to Japan
“JPY”	refers to Japanese Yen, the lawful currency of Japan
“Listing” or “IPO”	refers to the listing of the Shares on the Main Board of the Stock Exchange on 28 June 2021
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commenced, which is 28 June 2021
“Listing Rules”	refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	refers to Main Board of the Stock Exchange
“Malaysia”	refers to the Federation of Malaysia
“Mexico”	refers to United Mexican States
“Model Code”	refers to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“module/modular”	the design idea and installation method for preassembling of key equipment, other components, pipe structures, electrical instruments, etc. in a manufacturing plant, so as to minimize the work quantity on project site, and reduce cost of on-site jobs and on-site failures
“Mori-Biounion Technology”	Shanghai Mori-Biounion Technology Co., Ltd. (上海森眾生物技術有限公司), a company established with limited liability in the PRC on 24 May 2022 and an indirect wholly-owned subsidiary of the Company
“Morimatsu Biotechnology”	Shanghai Morimatsu Biotechnology Co. Ltd. (上海森松生物技術有限公司), a company established in the PRC on 17 January 2022 with limited liability and an indirect wholly-owned subsidiary of the Company
“Morimatsu Dialog”	Morimatsu Dialog (Malaysia) Sdn. Bhd., a private company established in Malaysia with limited liability on 14 September 2021, which is an indirect non-wholly-owned subsidiary of the Company
“Morimatsu Engineering Technology”	Shanghai Morimatsu Engineering Technology Co. Ltd. (上海森松工程技術有限公司), a company established in the PRC on 19 November 2021 with limited liability and an indirect wholly-owned subsidiary of the Company

## Definitions and Glossary

“Morimatsu Group (森松グループ株式会社)”	Morimatsu Group Co., Ltd., formerly known as Morimatsu Holdings Co., Ltd. (森松ホールディングス株式会社), a limited liability company incorporated in Japan on 1 September 2015, which is controlled by Mr. Matsuhisa Terumoto by holding 100% of its voting shares, and one of our Controlling Shareholders
“Morimatsu Holdings”	Morimatsu Holdings Co., Ltd. (森松ホールディングス株式会社), formerly known as Morimatsu Industry Co., Ltd. (森松工業株式会社), a company incorporated in Japan with limited liability on 2 May 1964, which is controlled by Morimatsu Group, and one of our Controlling Shareholders
“Morimatsu Pharmaceutical Equipment”	Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. (上海森松製藥設備工程有限公司) (formerly known as Shanghai Morimatsu Pharmaceutical Equipment Company Limited (上海森松製藥設備有限公司)), a company established in the PRC with limited liability on 29 November 2001 and an indirect wholly-owned subsidiary of the Company
“Morimatsu T&S”	Morimatsu Technology and Service Company Limited (森松T&S株式会社), a company incorporated in Japan with limited liability on 27 November 2023 and an indirect wholly-owned subsidiary of the Company
“MXN”	refers to Mexican Peso, the lawful currency of Mexico
“MYR” or “RM”	refers to Ringgit, the lawful currency of Malaysia
“Net Zero”	refers to one of the two scenarios discussed in the report of Energy Outlook 2024 published by BP p.l.c. in July 2024
“photoresist”	refers to resist-resistant thin-film materials whose solubility changes through irradiation or radiation of ultraviolet light, electron beams, ion beams, and X-rays, etc.
“Post-IPO Share Option Scheme”	refers to the post-IPO share option scheme adopted by the Company and became effective on 10 February 2021, the principal terms of which are summarized in “Statutory and General Information — D. Other Information — Post-IPO Share Option Scheme” in Appendix V to the Prospectus
“power battery”	refers to the ternary polymer lithium battery used in new energy vehicles, which is a kind of lithium battery with three elements: nickel salt, cobalt salt, and manganese salt/lithium aluminate as its cathode materials, graphite as its anode material, and mainly lithium hexafluorophosphate as its electrolyte
“PRC” or “China”	refers to the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-IPO Share Option Scheme”	refers to the pre-IPO share option scheme adopted by the Company and became effective on 1 July 2020, the principal terms of which are summarized in “Statutory and General Information — D. Other Information — Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	refers to the prospectus issued by the Company dated 15 June 2021
“Renminbi” or “RMB”	refers to Renminbi, the lawful currency of the PRC
“Reporting Period”	refers to the period of six months from 1 January 2024 to 30 June 2024
“RSU Scheme”	refers to the restricted share unit scheme adopted by the Company on 15 December 2021

“SEK”	refers to Swedish Krona, the lawful currency of Sweden
“SFO”	refers to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	refers to holders of the Shares
“Shares”	refers to ordinary shares of the Company
“Singapore”	refers to the Republic of Singapore
“S\$”	refers to Singapore dollars, the lawful currency of Singapore
“single-use bioreactor system”	refers to a reactor and accompanying equipment designed for the controlled growth and cultivation of animal cells, bacteria or yeast, including components for storage, control and transfer. It is used in the pharmaceutical production process for the manufacturing of antibodies, vaccines, insulin or other drugs. This technology is widely applied in industries such as biopharmaceuticals, daily chemicals and sustainable food manufacturing
“Stock Exchange”	refers to The Stock Exchange of Hong Kong Limited
“Sweden”	refers to the Kingdom of Sweden
“target material(s)”	refers to substances of high purity and density used in the manufacture of various semiconductor components. They are typically disc-shaped, with diameters ranging from 1 inch to 12 inches, and include metal targets, oxide targets and nitride targets. These materials are used in the production of components such as transistors, light-emitting diodes, solar cells, panel displays and semiconductor lasers
“U.S.” or “USA”	refers to the United States of America
“UK”	refers to the United Kingdom of Great Britain and Northern Ireland
“USD” or “US\$”	refers to United States dollars, the lawful currency of the United States
“wafer(s)”	refers to the silicon wafers used in the fabrication of silicon semiconductor circuits and made from silicon as the raw material. High-purity polycrystalline silicon is melted and doped into a silicon crystal seed, then slowly pulled out to form a cylindrical single-crystal silicon. After the silicon ingot is ground, polished and sliced, it forms silicon wafers, also known as wafers
“%”	per cent

In this report, unless the context otherwise requires, the terms “associate”, “connected person”, “connected transaction”, “subsidiary”, and “substantial shareholder” have the meanings ascribed to them in the Listing Rules.



# Management Discussion and Analysis

## MISSION STATEMENT

The Group's products and technologies help society pursue a greener earth, healthier life and smarter tools through the development of modern industrial civilization.

## DEVELOPMENT VISION

The Group aims to provide downstream customers with the world's leading core equipment, high value-added process solutions, digital intelligence integrated plant solutions (including process packages), and value-added services covering the full life cycle.

## CORPORATE VALUE

With a people-centered approach that respects talent, we prioritize our customers, strive for mutual success with our partners, pursue excellence, build a strong brand, foster continuous innovation, and seize opportunities.

## CORPORATE AND OPERATING STRATEGIES

In general, corporate strategy refers to an approach of thinking and the action guide for enterprises to set growth goals, deploy resources, cultivate talents, and design products, as well as expand markets in the pursuit of sustainable development in accordance with the changes in macroscopic environments. It also acts as the foundation for the principles and motivations that help enterprises continuously build their competitive advantages.

Since the commencement of its operation in the PRC, the Group has been focusing on the internationalization of product quality and technical standards. Starting with serving well-known multinational enterprises' projects in China, the Group is committed to providing global industry leaders, new technology frontrunners, and fast-growing emerging enterprises in the region with technologies and services that meet or even surpass international industry standards. Through serving these types of customers over a long period, the Group is able to consistently engage with cutting-edge technologies across various industries and the prompt demands of diverse markets. The Group's products, technologies and services have evolved and progressed through long-term cooperation with multinational enterprises and industry leaders, accompanying its customers as they continue to lead the development trends of industry.

Changes in macroscopic environments are the driving factors for the adjustment of business tactics and behavior, and are inevitable variables that should be taken into full consideration by enterprises when formulating development strategies. The Group's development strategy depends on the long-term coexistence of diverse customer demands and market environments, and avoids dependence on a single sector, a single market, a single product, and a single demand cycle.

In the course of the Group's global operations over the past 30 years, the Group has experienced 1) the demand cycle of "import substitution" in the PRC market, 2) the cycle of whole industrial chain construction in the PRC market, 3) the cycle of global sourcing in overseas markets, 4) the cycle of industrialization in developing countries, and 5) the cycle of diversification of supply chain in the current global market. It has always been the cornerstone of the Group's corporate strategy to continuously meet the diversified needs of our customers in different industries and internationally during different demand cycles.

Since the end of the 20th century, the Group has begun to provide products to overseas customers, supplying the first set of Chinese-made products, including core equipment, complete sets of equipment, and modular plants, to numerous leading enterprises in various countries and fields for their projects. Meanwhile, the Group has repeatedly provided the first set of domestic core equipment to leading enterprises from different fields within the PRC market, facilitating a large number of customers to achieve their strategic goals of import substitution and nationalization of key equipment.



Moving beyond the traditional pre-sales consultations, equipment production, and after-sale maintenance/repair services, the Group has advanced to become a supplier and service provider capable of delivering tailored services closely aligned with customer needs, such as joint research and development, technical advice, optimization of technologies, solutions for consumables, and support for digital operations and maintenance. With its robust design and development capabilities and extensive experience in project execution, the Group is set to further delve into technology-driven outputs and transform towards a service-oriented manufacturing model. This development aims to facilitate a more seamless, efficient, environmentally friendly, and health-conscious path to sustainable development for downstream industries.

## Management Discussion and Analysis

The Group's business strategy of "leading international enterprises in the long run and actively serving the material innovation industry" requires the Group to establish itself as a truly international brand. An international brand is not only defined by the ability to export products but also by the capacity to build and utilize global resources and serve customers worldwide. This capability is reflected in the formulation of common corporate technology standards, the establishment of cross-national and cross-sector teams, the operation of overseas branches, and the participation in cross-border mergers and acquisitions. Currently, the Company has its own subsidiaries and offices in the following countries and regions:

- (1) China — operating headquarters, manufacturing bases, design and engineering centers
- (2) Hong Kong — registered office
- (3) Japan — technical and engineering service center
- (4) India — engineering and project service center
- (5) Italy — advanced technology and project service center
- (6) Singapore — advanced technology and project service center
- (7) Sweden — technical and project service center
- (8) America — technical and project service center
- (9) Mexico — engineering and project service center
- (10) Malaysia — manufacturing base and project service center

Different business segments of the Group have always targeted various downstream industries, with the goal of breaking into the global supply chains of the leading enterprises in these sectors, particularly the supply chains and value chains of core equipment, complete sets of equipment and core technologies. So far, the Group has successfully entered the lists of first-line suppliers and strategic partners of global leading enterprises in the fields of oil and gas refinery, chemical, pharmaceutical and biopharmaceutical, and raw materials for power batteries. The Group has repeatedly succeeded in the first export of the same kind of goods from the PRC, among which typical cases of exports include:

In 2002, the Group undertook the first overseas project, and this was the first time that China exported chemical equipment to Europe in accordance with Pressure Equipment Directive (PED) specifications.

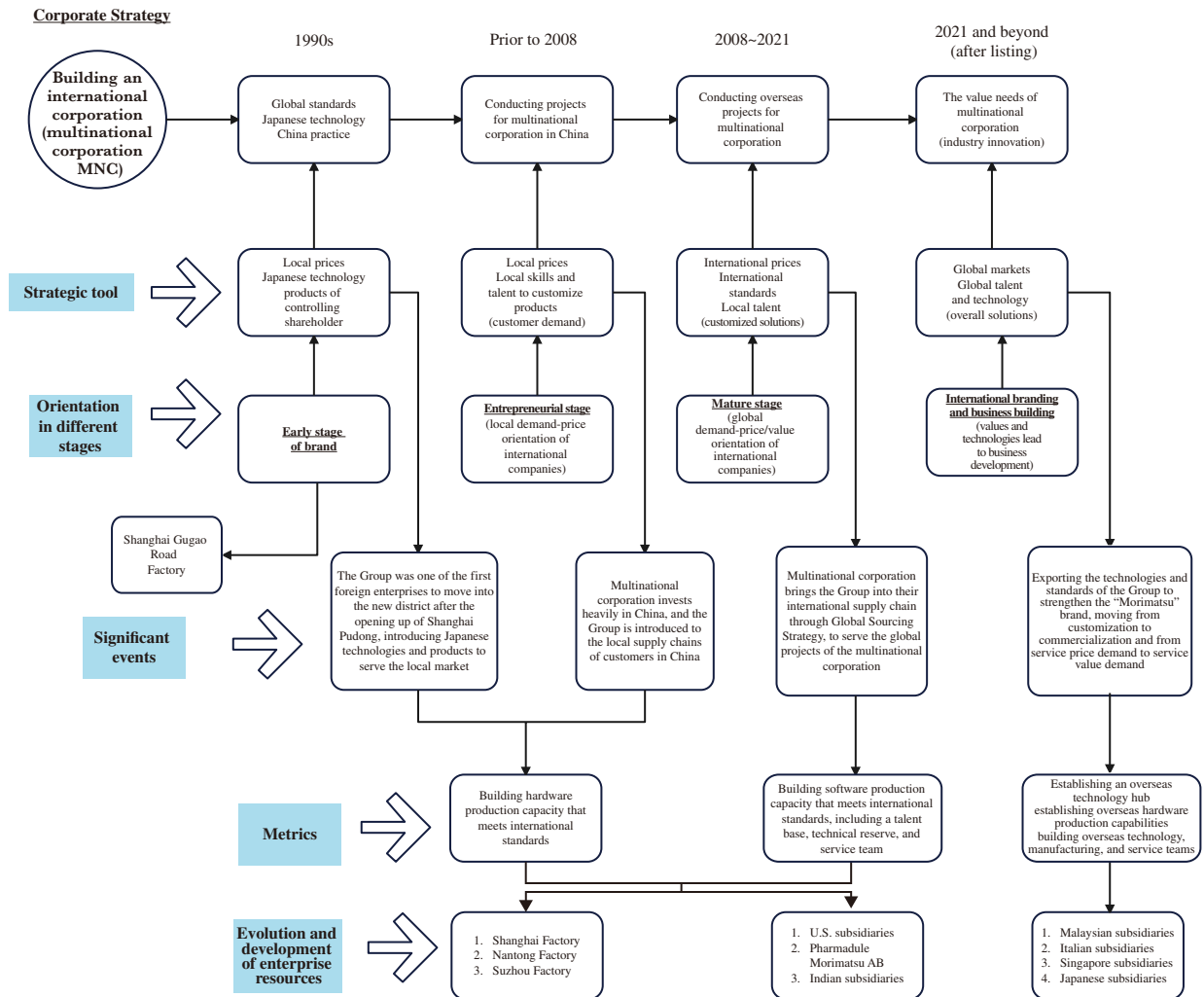
In 2004, the Group undertook the first overseas family care equipment project.

In 2005, the Group undertook the first overseas biopharmaceutical project.

In 2008, the Group undertook the first overseas modular production equipment project.

In 2011, the Group undertook the first overseas lithium battery raw material project (modular production equipment).

**Different Stages of Implementation of the Internationalization Strategy of the Group**



**UNDERLYING TECHNOLOGIES AND INNOVATIVE THINKING**

The Group’s underlying technologies are derived from the knowledge and engineering application of biological and chemical reactions (including synthesis and polymerization reactions), involving various professional disciplines such as chemical engineering, bio-engineering, metal materials, mechanics (including fluid mechanics), non-destructive testing, computer science, network technology, and virtual reality technology.

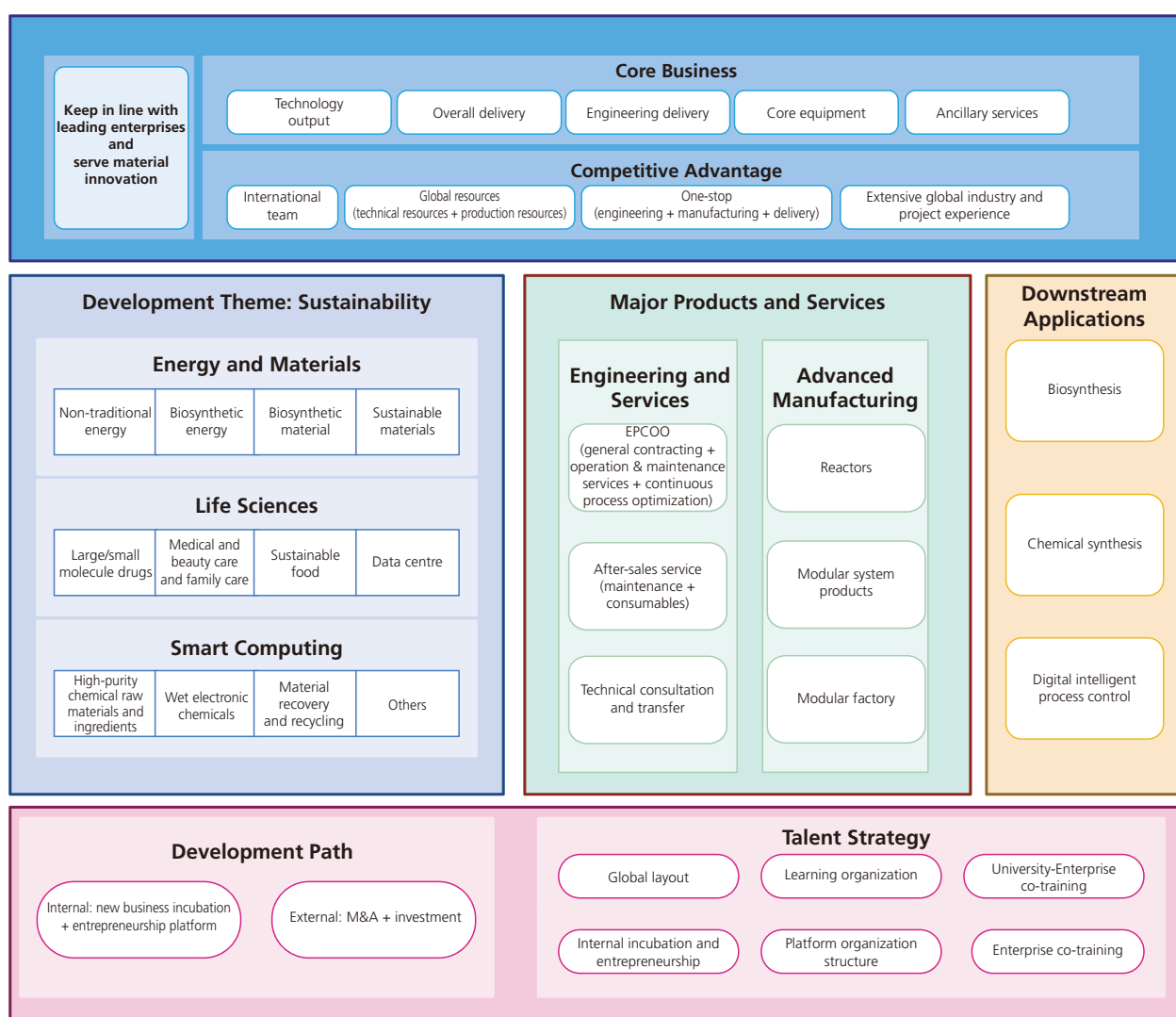
The Group has independent biological reaction facilities, chemical reaction facilities, virtual technology simulation facilities, and joint laboratories, as well as materials laboratories, non-destructive testing centers, engineering centers, software development centers, and data processing centers in compliance with international standards, which are capable of providing full life cycle technical protection and operation and maintenance for research and development, front-end services (pre-sales), project execution, and back-end support (post-sales).

The above-mentioned underlying specialties and technologies are applied in downstream industries involving biological and chemical reactions. In particular, the thermal field analysis, the flow field analysis, and the process route design in the reacting materials (to solve and optimize the heat and mass transfer of a specific material in a certain environment) will directly determine whether the practical application capability of the reactors and core equipment can meet the design requirements.

## Management Discussion and Analysis

The Group's core technology is to, amongst others, transform laboratory technologies and small-scale production technologies in the fields of original downstream technologies into engineered products and solutions that are equipped with the features of being highly integrated, high-performance, and cost-effective. Each technology upgrade from the downstream industry drives the update in products and technology of the Group. At the same time, the talent pool, research and development and technical teams of the Group, as well as its diversified and extensive industry experience, can help downstream enterprises jointly realize the introduction of new technologies and products. Digitalized full-life cycle technology solutions will help enhance the technical attributes and upgrade potential of core equipment in different industries and assist the Group's products and services to be more oriented towards deeper value services, thereby enhancing customer stickiness while achieving technological innovations and industry advancement downstream.

### Illustration for the Corporate Strategy of the Group



During the Reporting Period, the Group actively served the continuous innovation needs of downstream industries, focusing on the three development themes of "Healthy", "Green" and "Smart", combining with the technological updates and product iterations of the downstream industries, and continuously empowered customers in different regions. In the fields of environmentally friendly materials, sustainable energy, commercialization of new biopharmaceuticals, and global computing power enhancement, we provide customers with MVP Solutions consisting of core equipment, value-added services, and overall solutions (including process packages, detailed design, delivery of module plants, and pre-sales and after-sales services).

“Sustainability” is not only a strategic goal for the development of the Group but also an important goal for the development of human society carried out by the downstream industries the Group has been serving for a long period. The products and technologies developed by the Group based on this concept are as follows:

- (1) renewable energy production equipment and technologies (biomass green alcohol energy),
- (2) sustainable materials production equipment and technologies (high-performance biodegradable materials),
- (3) sustainable food solutions and equipment (large-scale cultivation of artificial proteins),
- (4) sustainable industrial development model (modular factory solutions).

### PRODUCT STRATEGY: MVP Solutions+

The products and services of the Group serves the business ecology of different downstream industries. The Group adheres to a product strategy that focuses on value-based services, persistent innovation, close proximity to demand, and orientation towards the future, to provide customers with products and services covering the entire life cycle from laboratory research and development, demonstration production, commercialization production to continuous process improvement, and ultimately, to form the strategy of MVP Solutions+ based on process performance, with specific products as the carrier and continual services as the platform.

#### MVP (Machines, Values & Plants)

**Machines — Core Equipment:** The core equipment, designed to achieve theoretical heat and mass transfer in large volume equipment, works to realize new material synthesis processes that are theoretically based on chemical and biological reaction equations and feasible at the practical laboratory level, at the process level production scale. These devices are generally reactors in production facilities for different products, the typical products of which include bioreactors (for the field of biopharmaceuticals), oxidation reactors (for chemical industry), protein and microbial fermentation tanks (for the fields of biopharmaceuticals and family care), hydrogenation reactors (for refinery industry), molten salt reactors (for chemical industry), vapor deposition reactors (for the field of raw materials for photovoltaic and semiconductors), and high-pressure acid leaching reactors (for the field of raw materials for power batteries).

**Values — Value Empowerment:** The Group understands the deep-rooted needs of the downstream industry, in addition to physical products, with the goal of value empowerment, the Group provides customers with a variety of forms of ancillary services and various products based on personalized customization, including modular solutions, industrial small test, pilot test and miniaturized solutions, assists customers to achieve the optimal configuration in terms of technological feasibility, cost optimization and methods of delivery, while at the same time reducing the management and communication interfaces in the process of project execution, simplifying the project execution process and reducing execution risks. Meanwhile, the Group is working with its customers to promote device improvement and technology upgrading, the typical products of which include the modular overseas engineering centers in the fields of raw materials for power batteries, pilot production device for lithium battery raw materials, complete sets of process equipment for the family care and bio-pharmaceutical fields, process modular products for the oil and gas and chemical industries and complete solutions for the field of semiconductor high-purity chemical reagents.

## Management Discussion and Analysis

**Plants — Highly Integrated Systematic Solutions:** This is an extreme industrial product that directly aims at customers who intend to commercialize their important products and provides one-stop “service + product + service” systematic solutions, covering the entire process from process route design, plant design, core equipment delivery, system manufacturing/installation/commissioning/certification, operation and maintenance management to continuous optimization of the operation. These kinds of product patterns can cover the entire life cycle of specific products and technologies and enhance upstream and downstream interconnectivity, maximizing the bonding between the Group and its customers, as well as continuously updating and iterating the Group’s products and technologies in response to the continuous innovation needs of its customers.

The one-stop systematic solutions are compatible with regulations and industry standards in multiple countries and maximizes in-plant manufacturing according to customer needs, with unique advantages in supply chain stability, project economics, and delivery security to help customers rapidly deploy capacity around the globe, deliver new technologies and realize the timely introduction of new products. The Group’s experience and strengths in the design and manufacture of core equipment in multiple fields and in the implementation of overseas projects further enhanced the reliability of systematic solutions. Application scenarios for systematic solutions include modern biopharmaceutical plants, factories for family care products, fine chemical production plants and plants for the production of raw materials for power batteries.

### **MVP Solutions+**

**The MVP Solutions+** refers to the product strategy that utilizes process packages as the technology carrier and continuous service as the interface for upstream and downstream interactions, in addition to the above three types of products. Its advantages mainly include:

- (1) Closer to the customers’ value needs, enhance customer bonding and loyalty.
- (2) Closer to the development trends of the downstream industry, actively integrate into the process of customers’ technology update and product iteration.
- (3) Continue to improve our competitive advantages, deepen the development of the moat effect and minimize the long-term homogeneous competition.
- (4) Avoid continuous investment in hardware assets and downplay the inevitable link between hardware capacity growth and business development.
- (5) Continuously enhance the Group’s technological attributes and continue to improve self-learning and evolutionary capabilities.
- (6) Develop a unique development model for manufacturing enterprise, avoiding dependence on a single product, a single market, and realizing continuous updating and iteration of core technologies and products.

MVP Solutions+ includes feasibility studies of industrialized devices, joint (customer) small/pilot device design and construction, basic design, detailed design, engineering design, core equipment construction, device integration (modularization), ultimate modular solutions, and post-operation and maintenance, which can help customers achieve R&D, design and project management of a single interface and facilitate the commercial operation of their new technologies as soon as possible.

### Process Packages and Continuous Service

Process package (commonly referred to as PDP) generally refers to process design package (a set of technical process packages) and performance indicators (expected values and guaranteed values of performance indicators should be listed separately, such as product output, yield, conversion rate, product quality, and characteristic indicators of consumption). It generally includes a complete set of technical documents, which set out the detailed definitions of the process flow of the production device, material and energy balance, process control interlocking requirements, equipment layout, core equipment selection, electrical and instrumentation requirements, as well as the requirements in material, environmental protection, safety, and operational aspects. Therefore, it is the most important programmatic and guiding document in the synthetic materials process.

In addition to the above, the Group's process packages include engineered solutions for core equipment and on-site start-up (commissioning of the plant) services, to guarantee the operational performance of the complete system.

Through self-research, technology introduction and joint development, the Group has its own original process package products in the following fields:

- (1) Photovoltaic raw materials (silicon production sector),
- (2) Lithium battery raw materials (wet metallurgy process, electrolyte configuration process, additive production process, solvent recovery process, etc.),
- (3) Semiconductor industry (manufacture of high-purity chemical reagents and other specialty chemicals),
- (4) Specialty chemical production.

## MACRO POLICIES AND MARKET OUTLOOK OF KEY DOWNSTREAM INDUSTRIES

### Raw Materials of Power Battery

According to an article published by the official WeChat account of the China Association of Automobile Manufacturers ("CAAM") Data on 11 January 2024, the sales volume of new energy vehicles in China was approximately 3.521 million, 6.887 million and 9.495 million units respectively from 2021 to 2023, with year-on-year growth rates of approximately 157.5%, 93.4% and 37.9% respectively, accounting for approximately 13.4%, 25.6% and 31.6% respectively of the total sales volume of vehicles in China.

According to a report issued by Guosheng Securities Limited (國盛證券有限公司) on 9 May 2024, based on information from CAAM, the sales volume of new energy vehicles in China was approximately 2.09 million units from January to March 2024, with a year-on-year growth rate of approximately 31.7% and penetration rate of approximately 31.1%. Although the sales volume of new energy vehicles in China has cooled down over the past two years after experiencing explosive growth in 2021, market demand continues to grow considerably as evidenced by the steadily increasing share of the market.



## Management Discussion and Analysis

According to a report issued by SPDB International Securities Limited on 18 June 2024, the price of domestic battery-grade lithium carbonate in China decreased from approximately RMB300,000/tonne by the end of June 2023 to below RMB100,000/tonne by the end of December 2023 and remained stable at approximately RMB100,000/tonne by June 2024, resulting in a decrease in the cost of power batteries, which provided certain profit margins for the automobile enterprises to make concessions to consumers. According to an article published by Goldman Sachs Group, Inc. on 29 February 2024, it is forecasted that the price of electric vehicle batteries will fall by nearly 40% between 2023 and 2025, bringing the cost of electric vehicles closer to that of petrol vehicles, thereby stimulating the demand. Growing demand for lithium battery, a core component of electric vehicles and energy storage systems, will significantly boost market demand for raw materials such as lithium, nickel and cobalt.

Although the global demand for the new energy market has slowed down recently after a surge in the past few years, the policy trend of new energy vehicles gradually replacing the majority of conventional petrol vehicles remains unchanged around the world in the long run, thus providing political support for the growth of the Group.

### Electronic Chemicals

#### Semiconductor-grade Wet Electronic Chemicals

Semiconductor materials are categorized into wafer fabrication materials. Wafer fabrication materials include, among others, semiconductor silicon wafers, photomasks, wet electronic chemicals, specialty gases, photoresists, target materials, and chemical mechanical polishing materials. In particular, wet electronic chemicals are liquid chemical materials used in wet processes such as wet etching, cleaning, developing and stripping. These chemicals are distinguished by their high purity of over 99.99% and are primarily utilized in integrated circuit, photovoltaic panel, and display panel production. The purity and cleanliness of these chemicals are vital for ensuring the yield, electrical performance, and reliability of electronic components.

According to a research report issued by Sealand Securities Co., Ltd on 8 April 2024, with the rapid expansion of wafer fabrication capacity, the continuous improvement of wafer fabrication process, and the increasing application of advanced packaging technology, the demand for wet electronic chemicals for integrated circuits in China will continue to increase, and the report estimated that the demand for wet electronic chemicals for integrated circuits in China will reach 1.385 million tonnes in 2025. As the demand for wet electronic chemicals for 12-inch wafer fabrication lines is significantly higher than that for 8-inch and 6-inch lines, with the increasing proportion of 12-inch wafer fabrication capacity in China going forward, the demand for wet electronic chemicals for integrated circuits is expected to further increase. The report also pointed out that high-end wet electronic chemicals are mainly monopolised by foreign manufacturers. In particular, high-end wet electronic chemicals for semiconductors are mainly controlled by manufacturers in Europe, the U.S. and Japan, such as BASF, Honeywell, Mitsubishi Chemical and Sumitomo Chemical. In wet electronic chemicals for flat panel, the domestic advanced fabrication lines are mainly supplied by brands such as Korea Dongjin Semichem and Korea ENF, which are all foreign brands except for certain domestic companies that have made breakthroughs.

### Photovoltaic Material

A research report issued by Haitong Securities Co., Ltd. on 27 May 2024 mentioned that the National Energy Administration of China (NEA) had indicated in the Video Conference on National Renewable Energy Development and Construction Scheduling in January 2024 that the development of renewable energy in the first quarter of 2024 was on a positive trend, with the installed capacity continuing to expand and the generating capacity growing steadily. From January to March 2024, the national newly installed capacity of renewable energy was 63.76 million kilowatts (“KW”), accounting for approximately 91.8% of the national newly installed capacity and representing a year-on-year growth of approximately 34.5%; and the national renewable energy power generation was 690.3 billion KWh, accounting for approximately 30.9% of the national power generation and representing a year-on-year growth of approximately 16.1%. The report also pointed out that, according to the data from NEA cited by the WeChat official account of Solarbe.com, in April 2024, the newly installed capacity of solar power was 14.37 million KW, or 14.37 gigawatts (“GW”), representing a slight decrease of approximately 1.91% from 14.65 GW in the same period of the previous year. However, there is an obvious rebound as compared to the newly installed capacity of solar power in March 2024 (i.e. 9.02GW), which shows a month-on-month increase of 59.3%.

For overseas markets, the research report of Pacific Securities Co., Ltd. dated 25 February 2024 indicated that the U.S. market has a relatively low penetration rate of photovoltaic power generation, and the electricity demand is expected to continue to rise along with electricity level improvement, manufacturing industry re-shoring and computing power development. In addition, with the subsequent interest-rate cuts, lower unit prices for photovoltaic plus energy storage systems, and power system upgrades, the U.S. is poised for continued growth in utility power plants and distributed demand. Furthermore, with the Inflation Reduction Act (IRA) and states’ policies supporting the gradual supplementation of supply, the U.S. installed capacity of photovoltaic is expected to reach 50GW and 60GW in 2024 and 2025 respectively, with year-on-year growth rates of approximately 43% and 20%.

Through technology introduction, collaborative research and development and independent innovation, the Group has developed as a provider of semiconductor-grade wet electronic chemical production processes, core equipment, and solutions. With a strategic global capacity distribution, the Group has successfully completed the delivery of relevant products and services across various countries.

### Family Care

The global and Chinese family care industry is undergoing rapid development. Growing market size, increasing consumer demand for natural, organic and environmentally friendly products, emerging online sales channels, as well as technological innovation and digital marketing are all important trends in the industry’s development. Supportive policies and established market regulations in various countries have also ensured the healthy development of the family care industry. Through continuous innovation and optimisation of branding strategy to meet the ever-changing market demand, the Group provides whole-set production equipment in the form of process modules for the new capital expenditure projects of leading international enterprises to help them achieve sustainable development.

### Petroleum and Natural Gas

According to the Energy Outlook 2024 published by BP p.l.c. in July 2024, global demand for natural gas will continue to grow in Current Trajectory by 2050, with a share of approximately 25% of primary energy. This growth is mainly due to the investment in electricity and industry in emerging economies as they grow and industrialize. Growing natural gas demand in developed economies in transport, industry and blue hydrogen production will offset the declining use of natural gas in buildings, which is a trend that is expected to continue until 2035. By 2030, global demand for liquefied natural gas will be 40% and 30% above 2022 levels in Current Trajectory and Net Zero respectively.

## Management Discussion and Analysis

According to the article “2023 Domestic and Foreign Natural Gas Market Review and 2024 Outlook” published in volume 3 of International Petroleum Economics in 2024, China’s natural gas consumption in 2023 was approximately 391.7 billion cubic meters, with an increase of approximately 24.2 billion cubic meters, representing a year-on-year growth of approximately 6.6%. The increase was mainly because: 1) the favorable rebound of the macro-economy has supported the demand for natural gas. The rapid improvement in the business and service industry and the gradual recovery of industrial production have contributed to the growth in demand for natural gas in the business and service fields and industry; 2) the downward trend in international natural gas prices has led to a year-on-year decrease of approximately 28% in the domestic market price of liquefied natural gas, contributing to an improvement in the economics of natural gas; 3) the demand for gas-fired power has grown as a result of hydropower falling short of expectations. On the demand side, China’s social electricity consumption in 2023 grew by approximately 6.7% year-on-year, representing an increase of 3.1 percentage points over the previous year; on the supply side, coal power grew by approximately 5.8% year-on-year, and wind power and solar power generation grew by approximately 12.3% and 17.2% year-on-year, respectively, while hydropower declined by approximately 5.1% year-on-year, resulting in a rapid increase in the demand for gas-fired power.

It is also stated in the article that global demand for natural gas is expected to reach 4.02 trillion cubic meters in 2024, with a growth rate of approximately 1.5%. In terms of regions, the Asian market will be the main growth point. The consumption of natural gas in the Asia-Pacific region will grow by approximately 4.0% year-on-year, of which Japan and Korea will continue to restart nuclear power generation and build new coal power plants to suppress gas consumption for power generation. The rapid economic growth in India and the increase in gas-fired power generation in emerging markets will also boost consumption demand for natural gas. Annual natural gas consumption in North America is expected to grow by approximately 0.9% year-on-year. The faster growth in residential and commercial gas consumption in the U.S. and the increased utilization of renewable energy have restrained the growth rate of gas consumption for power generation, and led to a decline in industrial gas consumption, which will slow down the overall growth in demand. As the domestic economy is expected to maintain stable growth and international natural gas prices decline, natural gas consumption in China is expected to reach 415.7 billion cubic meters in 2024, representing a year-on-year growth of approximately 6.1%.

As a player in the traditional business sectors, the Group has a solid technical foundation, a professional talent team and rich experience in international projects in the fields such as offshore and onshore oil and gas. Therefore, when the market demand reappears, the Group can respond promptly and provide products, including core equipment, process systems and modular solutions, to various international markets in the Middle East, South America, Oceania and Southeast Asia. The application scenarios of the Group’s products include the development projects of offshore and land oil and gas field, offshore platform projects and onshore oil refinery projects, and most of the customers are internationally renowned oil and gas companies and general engineering contractors.

### Pharmaceutical and Biopharmaceutical

Against the backdrop of a gradually aging global population, the rising incidence of various diseases will drive the growth of medical demand and the pharmaceutical market. According to an article published by WeChat official account of Oriental Finance Magazine (東方財經雜誌) on 10 July 2024, China’s population aged 65 and above was approximately 220 million in 2023, accounting for approximately a quarter of the elderly population in the world, which was equivalent to one Chinese for every four elderly people in the world. According to the scenarios in the China Population Forecast Report 2023 from YuWa Population, China’s elderly population aged 65 and above will reach 260 million and 350 million by 2030 and 2040, respectively, accounting for approximately 25.6% and 26.5% of the elderly population in the world, respectively.

According to Xinhua News Agency on 5 July 2024, the Standing Conference of the State Council of the PRC was held on 5 July 2024, at which the Implementation Plan for Full-Chain Support of Innovative Drug Development was considered and approved. It is pointed out in the meeting that the development of innovative drugs is crucial for the development of the pharmaceutical industry and the well-being of people. It is necessary to strengthen policy support across the entire chain, comprehensively utilize policies such as price management, medical insurance payment, commercial insurance, drug allocation and use, investment and financing, optimize the evaluation, approval, and assessment mechanisms of medical institutions, and jointly promote breakthroughs in the development of innovative drugs. Efforts should be made to mobilize scientific and technological innovation resources from all aspects, strengthen basic research on new drug creation, and lay a solid foundation for the development of innovative drugs in China.

According to an article published by the NetEase official account of JRJ.com on 8 July 2024, Kaiyuan Securities Co., Ltd. said that the average rate of reduction in China's medical insurance negotiation has been slowing down in the past three years, and the success rate has been improving year by year, and that the future pricing mechanism of innovative drugs is expected to be approached from multiple dimensions, such as clinical demand and scarcity of drugs, to support the high-quality innovative drugs to obtain the revenue return in line with "high investment and high risk". With the launch of the Implementation Plan for Full-Chain Support of Innovative Drug Development, policies targeting the innovative development of pharmaceuticals in various regions are expected to be implemented one after another, which is conducive to strengthening enterprises' confidence in the layout of innovative drug pipelines and accelerating the advancement of innovative drug pipelines to the later stage.

In addition to the positive signals released by domestic policies in China, the overseas market has benefited from the rapid growth of the sales volume of products such as glucagon-like peptide-1 (GLP-1), Antibody-Drug Conjugate (ADC), Anti-Alzheimer's disease Drugs (AD), which has kept the industry highly booming. The Group has a comprehensive and professional large-scale biopharmaceutical engineering team as well as technical talents around the world. In recent years, the Group has participated in many global capital expenditure projects of international leading CXO companies and biopharmaceutical companies, including North American, Southeast Asian, European and other markets, and has accumulated rich experience in domestic and overseas projects. Against the backdrop of a rebound in demand for research and development in the industry, the Group is able to provide the global health industry with more competitive products and overall solutions.

### EXPANSION OF PRODUCTION CAPACITY

#### Malaysia Manufacturing Base

During the Reporting Period, the manufacturing base expansion project of Morimatsu Dialog, a subsidiary of the Company, developed steadily as planned. The manufacturing base will mainly serve the fields of raw materials of power battery, energy chemicals, pharmaceuticals and biopharmaceuticals. The manufacturing base is strategically located in the Pengerang region, which not only meets the needs of the local market, but also effectively reaches to the Southeast Asian, Middle East and North American markets. The total investment in the expansion project is approximately US\$60 million. The manufacturing base is scheduled for phased completion and delivery by the first quarter of 2025.



**Malaysia Manufacturing Base (Design Rendering)**

#### Changshu Manufacturing Base

The first phase of the Group's manufacturing base project located in Changshu, Jiangsu Province, the PRC has commenced trial operation in the fourth quarter of 2023. It is mainly used to produce high-end process equipment and complete sets of equipment of digital intelligence for the biopharmaceutical field, wet electronic chemical field, family care industry and other industries with high requirements on cleanliness. During the Reporting Period, the manufacturing base has been fully put into operation, and its production capacity will be fully utilized based on the Group's orders on hand.



**Changshu Manufacturing Base**

### HUMAN RESOURCES CONSTRUCTION

In the process of seeking development, people are the most central factor for enterprises.

As an increasing number of enterprises go international, the global industrial presence of the Group is also deepening. During the Reporting Period, the Group established manufacturing bases or technical, engineering and project service centers in various countries and regions, including Pengerang in Malaysia, Gifu and Yokohama in Japan, Houston and New Jersey in the U.S., Stockholm in Sweden, Milan in Italy, Mumbai in India, and Singapore, and recruited local staff to serve the industrial needs of its local and neighboring regions. In order to recruit talents and retain employees, the Group has a comprehensive career development plan and promotion mechanism, which allows employees to apply for promotion according to the system and be promoted to the corresponding ranks after passing the assessment, so as to ensure the fairness and transparency of the promotion channel to the maximum extent, so that employees are able to realize their career goals, and employees and the company can achieve the effect of mutual achievement and a virtuous cycle.

The Group not only emphasizes on the absorption of management and technical talents recruited from social recruitment, but also focuses on the cultivation of graduates recruited from campus recruitment. The Group has an all-round training system, such as induction training for new employees, management skills training, professional skills training, safety production education and language salon, etc. Through various types of training, the Group aims to enhance the personal capabilities of its employees, deepen their understanding and recognition of the history and culture of the Group, and promote communication and collaboration among the Group's various companies, branches and business divisions to achieve diversified development.

During the Reporting Period, the Group had a total of approximately 4,500 employees, of which over 650 were research and development personnel.

The Group serves the innovative needs of customers in multiple downstream sectors, which requires a staff structure that balances the specialization of a single industry with the versatility of many industries. Based on the nature of work, the Group's employees engaged in technical and process-related work can be broadly divided into the following three categories:

- (1) Process personnel, who are process designers in a particular downstream industry. This category of personnel directly serves the customers' process needs and has a high degree of specialization.
- (2) Engineering personnel, who are personnel with specialized knowledge in various fields such as machinery, plumbing, electrical and instrumental controls, or construction to serve the requirements of the process, and whose main duty is to assist craftspeople in ensuring the manufacturability of the products at the design stage of the process. This category of personnel has versatility across different industry business segments of the Group.
- (3) Manufacturing personnel, who are employees engaged in product manufacturing. Such personnel can carry out product manufacturing and construction work in accordance with the construction drawings prepared by engineers, process documents, and standard requirements. This category of personnel has a high degree of industry versatility and can satisfy the needs of the vast majority of the Group's product manufacturing.

### RESEARCH AND DEVELOPMENT AND INNOVATION

The Group has been paying attention to the development of the industry and market dynamics for a long time, and actively participates in the first line of research and development of new materials, so as to make a good technological reserve for the innovation of materials in the downstream field.

During the Reporting Period, the Group invested in the research and development project of carbon materials of an overseas technology-based company. Compared with other materials in the same period, carbon materials have a longer service life, which in turn can reduce emissions of carbon dioxide and can be applied in various fields such as industrial materials, energy storage, health, environmental protection, and electronic devices. The material is widely applicable and can be used in products such as smartphones and new energy electric vehicles in the future. Therefore, the research and development and application of carbon materials are constructive to expand market demand and provide favorable conditions for the expansion of production capacity in the relevant downstream industries. The project will boost the related business of the Group in the field of raw materials for power batteries and lay the foundation for product iteration for downstream customers.

During the Reporting Period, the Group actively participated in the research and development of laboratory technologies for downstream enterprises, and members of the project team have integrated themselves in the pre-project stage as far as possible, providing customers with research and development, design, and technical services and laying the foundation for subsequent commercialization and production. The research and development of laboratory technologies mainly involves: 1) production equipment of new lithium battery electrolyte solute additives; 2) production technologies and devices of semiconductor industry-related materials; 3) manufacturing technologies of acrylic polyester equipment; 4) synthesis technologies of new green energy; 5) process optimization of supporting skid of reduction furnace; 6) single-use bioreactor systems and liquid dosing systems; 7) research and development and design of digital workshop; and 8) residual heat recovery device technology.

## FINANCIAL DATA

### Revenue

The Group's revenue decreased by approximately 5.8% from approximately RMB3,691,759,000 for the six months ended 30 June 2023 to approximately RMB3,476,752,000 for the six months ended 30 June 2024. Such decrease in revenue was mainly attributable to the decreased orders from the pharmaceutical and biopharmaceutical industries, which were impacted by the external economic environment.

Revenue by end application	Six months ended 30 June				Increase RMB'000	Year-on-year change
	2024		2023			
	RMB'000 (unaudited)	Proportion	RMB'000 (unaudited)	Proportion		
Electronic chemical	<b>660,233</b>	<b>19.0%</b>	657,367	17.8%	2,866	0.4%
Chemical	<b>704,122</b>	<b>20.3%</b>	774,064	21.0%	-69,942	-9.0%
Family care*	<b>91,552</b>	<b>2.6%</b>	183,271	5.0%	-91,719	-50.0%
Raw materials of power battery#	<b>651,460</b>	<b>18.7%</b>	463,927	12.6%	187,533	40.4%
Oil and gas refinery	<b>461,244</b>	<b>13.3%</b>	221,536	6.0%	239,708	108.2%
Pharmaceutical and biopharmaceutical	<b>663,583</b>	<b>19.1%</b>	1,318,816	35.7%	-655,233	-49.7%
Others	<b>244,558</b>	<b>7.0%</b>	72,778	1.9%	171,780	236.0%
<b>Total</b>	<b>3,476,752</b>	<b>100.0%</b>	3,691,759	100.0%	-215,007	-5.8%

\* The English translation of “日化” has been changed from “daily chemical” to “family care” for business identification purposes. The offerings and products under this industry remain unchanged.

# Raw materials of power battery include mining and metallurgy industry.



## Management Discussion and Analysis

### Cost of Sales

The cost of sales of the Group decreased by approximately 8.7% from approximately RMB2,682,667,000 for the six months ended 30 June 2023 to approximately RMB2,448,304,000 for the six months ended 30 June 2024. The decrease in cost of sales was slightly larger than that of the revenue, as a result of the Group's continuous implementation of improvement activities on lean production and cost reduction and efficiency enhancement measures.

Cost of Sales	Six months ended 30 June				Increase RMB'000	Year-on-year change
	2024		2023			
	RMB'000 (unaudited)	Proportion	RMB'000 (unaudited)	Proportion		
Raw materials and consumables	<b>1,488,396</b>	<b>60.8%</b>	1,815,889	67.7%	-327,493	-18.0%
Direct labour cost	<b>282,819</b>	<b>11.6%</b>	251,526	9.4%	31,293	12.4%
Outsourcing fees	<b>311,156</b>	<b>12.7%</b>	238,855	8.9%	72,301	30.3%
Installation and repair cost	<b>189,112</b>	<b>7.7%</b>	237,553	8.9%	-48,441	-20.4%
Depreciation	<b>61,954</b>	<b>2.5%</b>	35,171	1.3%	26,783	76.2%
Impairment losses on assets	<b>4,854</b>	<b>0.2%</b>	4,034	0.2%	820	20.3%
Others (indirect labour cost + design fees)	<b>110,013</b>	<b>4.5%</b>	99,639	3.6%	10,374	10.4%
<b>Total</b>	<b>2,448,304</b>	<b>100.0%</b>	2,682,667	100.0%	-234,363	-8.7%

### Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately 1.9% from approximately RMB1,009,092,000 for the six months ended 30 June 2023 to approximately RMB1,028,448,000 for the six months ended 30 June 2024, representing a gross profit margin of approximately 29.6%.

### Other Income

Other income of the Group increased by approximately RMB46,568,000 from approximately RMB14,121,000 for the six months ended 30 June 2023 to approximately RMB60,689,000 for the six months ended 30 June 2024, which was mainly attributable to 1) the increase in foreign exchange gains; 2) the increase in interest income as a result of the higher interest rates of the U.S. dollar, Euros, and Hong Kong dollar time deposits held by the Group; and 3) the increase in government grants as the Chinese government promulgated a VAT deduction policy for advanced manufacturing enterprises in the second half of 2023.

### Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by approximately RMB2,172,000 from approximately RMB78,986,000 for the six months ended 30 June 2023 to approximately RMB81,158,000 for the six months ended 30 June 2024, which was mainly attributable to 1) the increase in salary expenses and travel expenses as a result of the increase in the number of overseas marketing team personnel; and 2) the increased expenses for participation in exhibitions and promotion for the purpose of exploring overseas markets. Such increase was partially offset by the decrease in sales commission. Selling and marketing expenses as a percentage of total revenue was approximately 2.3% for the six months ended 30 June 2024 (approximately 2.1% for the same period in 2023).

### General and Administrative Expenses

General and administrative expenses of the Group decreased by approximately RMB4,595,000 from approximately RMB269,168,000 for the six months ended 30 June 2023 to approximately RMB264,573,000 for the six months ended 30 June 2024, which was mainly attributable to the decrease in share-based payment expenses. The total decrease was partially offset by the increase in the salaries and benefits of management and administrative staff, travel expenses, and consulting fees for the purpose of supporting the development of overseas business. General and administrative expenses as a percentage of total revenue was approximately 7.6% for the six months ended 30 June 2024 (approximately 7.3% for the same period in 2023).

### Research and Development Expenses

The research and development expenses of the Group increased by approximately RMB50,930,000 from approximately RMB168,090,000 for the six months ended 30 June 2023 to approximately RMB219,020,000 for the six months ended 30 June 2024, which was mainly attributable to the increase in the salaries of the research and development personnel, research and development materials and trial production investment, as the Group increased the research and development investment in new technologies and the cultivation of new business with a focus on future development.

### Trade Receivables and Impairment of Contract Assets

Trade receivables and impairment of contract assets of the Group increased by approximately RMB52,119,000 from a reversal of approximately RMB388,000 for the six months ended 30 June 2023 to approximately RMB51,731,000 for the six months ended 30 June 2024, which was mainly attributable to the full provision for bad debts of individual items with increased risk of collection.

### Income Tax Expense

The income tax expense of the Group increased by approximately RMB18,259,000 from approximately RMB75,401,000 for the six months ended 30 June 2023 to approximately RMB93,660,000 for the six months ended 30 June 2024. The Group's effective tax liability for income tax was approximately 20.0% for the six months ended 30 June 2024, representing an increase of approximately 4.8% from approximately 15.2% for the six months ended 30 June 2023, which was mainly attributable to the withholding of deferred income tax expenses as the Company expected to receive dividends from PRC subsidiaries.

## Management Discussion and Analysis

### Non-Hong Kong Financial Reporting Standards (“HKFRS”) Measures

The Group believes that the adjusted financial measures are useful for understanding and evaluating the underlying performance and operating trends of the Group, and that the management and investors may benefit from referring to these adjusted financial measures in assessing the Group’s financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and non-operating items that the Group does not consider indicative of the performance of the Group’s core business. The Group’s management believes that these non-HKFRS financial measures are widely accepted and applied in the industry in which the Group operates. However, these non-HKFRS financial measures should not be considered in isolation or as a substitute for the financial information prepared or presented in accordance with HKFRS. Shareholders and potential investors of the Group should not view the following adjusted results on a stand-alone basis or as a substitute for results prepared under HKFRSs, and such non-HKFRS financial measures may not be comparable to similar titled measures presented by other companies.

### EBITDA

The Group had EBITDA of approximately RMB556,094,000 for the six months ended 30 June 2024, representing a decrease of approximately 3.0%, as compared to approximately RMB573,450,000 for the six months ended 30 June 2023.

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Net profit	<b>373,827</b>	421,029
Add: Income tax expenses	<b>93,660</b>	75,401
Interest expenses	<b>4,966</b>	7,339
Depreciation	<b>73,757</b>	62,343
Amortisation	<b>9,884</b>	7,338
EBITDA	<b>556,094</b>	573,450

### Trade and Other Receivables

The Group’s trade and other receivables increased by approximately 11.4% from approximately RMB1,499,372,000 as at 31 December 2023 to approximately RMB1,669,839,000 as at 30 June 2024, which was mainly attributable to 1) the increase in bank drafts received from customers; and 2) the delay of payment from individual customers.

### Inventory

The Group’s inventories decreased by approximately 42.1% from approximately RMB1,800,466,000 as at 31 December 2023 to approximately RMB1,042,383,000 as at 30 June 2024, which was mainly attributable to the completion of delivery of certain large-value orders for which the control was transferred at the point in time during the Reporting Period.

### Trade and Other Payables

The Group's trade and other payables decreased by approximately 12.1% from approximately RMB1,669,850,000 as at 31 December 2023 to approximately RMB1,467,245,000 as at 30 June 2024, which was mainly attributable to the deferral of certain projects, which resulted in the deferral of the procurement requirements accordingly.

### Contract Liabilities

The contract liabilities of the Group decreased by approximately 18.9% from approximately RMB2,290,334,000 as at 31 December 2023 to approximately RMB1,858,537,000 as at 30 June 2024, which was mainly attributable to the recognition of revenue from certain large-value orders for which the control was transferred at the point in time during the Reporting Period.

### Liquidity and Capital Resources

The balance of cash and cash equivalents of the Group was approximately RMB1,939,218,000 as at 30 June 2024, which was mainly denominated in RMB, USD, HKD, SGD, JPY and EUR, representing a decrease of approximately RMB229,464,000 as compared with approximately RMB2,168,682,000 as at 31 December 2023. The Group purchased short-term financial products issued by banks with idle funds under the premise of ensuring liquidity, and the outstanding amount as at 30 June 2024 was approximately RMB456,321,000.

The liquidity of the Group is mainly maintained by cash generated from operating activities, allotment and issuance of equity securities/net proceeds from the Global Offering and bank borrowings. The liquidity demand mainly includes general working capital and capital expenditures.

The Group maintains the flexibility of capital by using bank credit facilities and interest-bearing borrowings, and regularly monitors the current and expected liquidity requirements to ensure that sufficient financial resources are maintained to meet the liquidity requirements.

As at 30 June 2024, the Group's total banking facilities amounted to RMB2,495,000,000, US\$226,000,000, SEK300,000,000 and JPY17,100,000,000 (equivalent to approximately RMB5,072,787,000 in aggregate), among which the utilized banking facilities amounted to approximately RMB779,240,000, US\$98,806,000, EUR6,638,000, MXN25,112,000 and JPY82,000,000 (equivalent to approximately RMB1,547,624,000 in aggregate), and the unutilized banking facilities amounted to approximately RMB3,525,163,000.

### Borrowings and Gearing Ratio

The aggregated borrowings of the Group decreased by approximately 23.4% from approximately RMB365,083,000 as at 31 December 2023 to approximately RMB279,682,000 as at 30 June 2024, and the borrowings were mainly used to pay for a portion of the amount required for the construction of projects.

As at 30 June 2024, the Group's borrowings were denominated in RMB and the interest rates of the borrowings ranged from 3.63% to 4.4%, of which approximately RMB99,942,000 were fixed rate borrowings and approximately RMB179,740,000 were variable rate borrowings. Among them, approximately RMB105,123,000 will be due within 1 year and approximately RMB174,559,000 will be due between 1 and 5 years.

## Management Discussion and Analysis

Gearing ratio is calculated using interest-bearing borrowings divided by total equity. The gearing ratio of the Group decreased from approximately 8.3% as at 31 December 2023 to approximately 5.7% as at 30 June 2024, mainly due to the decrease in the balance of the borrowings of the Group and the increase in reserves arising from earnings.

### Charges on Assets

As at 30 June 2024, there were no charges on the Group's assets.

### Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

### Issue of Equity Securities

For the six months ended 30 June 2024, the Company did not issue any equity securities (including securities convertible into equity securities) for cash.

On 4 January 2023, the Company, Morimatsu Holdings and China International Capital Corporation Hong Kong Securities Limited ("**CICC**") entered into the placing and subscription agreement, pursuant to which: (1) Morimatsu Holdings agreed to appoint CICC and CICC agreed to act as agent for Morimatsu Holdings to procure in good faith that purchasers would purchase an aggregate of up to 80,000,000 existing Shares (the "**Sale Shares**") at the placing price of HK\$8.30 per Sale Share (the "**Placing**"); and (2) Morimatsu Holdings agreed to subscribe for, and the Company agreed to allot and issue to Morimatsu Holdings, an aggregate of up to 80,000,000 new Shares (the "**Subscription Shares**") at the same subscription price as the placing price (the "**Subscription**"), in each case on the terms and subject to the conditions set out in the placing and subscription agreement. The closing price per Share of the Company as quoted on the Stock Exchange on 4 January 2023 was HK\$9.47 and the total number of issued Shares as at 4 January 2023 was 1,073,795,900.

On 9 January 2023, the Placing was completed in accordance with the terms and conditions of the placing and subscription agreement and an aggregate of 80,000,000 Sale Shares were successfully placed to not less than six placees, who, together with their respective ultimate beneficial owners, were independent third parties, at the placing price of HK\$8.30 per Sale Share. As all the conditions of the Subscription have been fulfilled, on 12 January 2023, the Company has allotted and issued 80,000,000 Subscription Shares to Morimatsu Holdings at a price of HK\$8.30 per Subscription Share in accordance with the terms and conditions of the placing and subscription agreement. The net proceeds from the Subscription (after deducting all fees, costs and expenses incurred by the Company and Morimatsu Holdings in connection with the Placing and the Subscription) amounted to approximately HK\$654.7 million (the "**Net Proceeds from the Subscription**").

The Group intends to use the Net Proceeds from the Subscription primarily for the construction of the Group's factory buildings in Suzhou, the PRC and Malaysia, to accelerate the Group's expansion into the European market and for general corporate purposes. The Company has allocated and will continue to allocate and utilize the Net Proceeds from the Subscription for matters consistent with the purposes as further detailed in the announcement of the Company dated 4 January 2023 and during the Reporting Period, the Group has utilized the Net Proceeds from the Subscription as set out in the table below:

	<b>Net Proceeds from the Subscription actually distributed</b> <b>HK\$'000</b>	<b>Net Proceeds from the Subscription actually distributed</b> <b>RMB'000</b>	<b>Distribution of Net Proceeds from the Subscription as a percentage of total Net Proceeds from the Subscription</b>	<b>Unused Net Proceeds from the Subscription as at 31 December 2023</b> <b>RMB'000</b>	<b>Amounts of the Net Proceeds from the Subscription utilized during the Reporting Period</b> <b>RMB'000</b>	<b>Unused Net Proceeds from the Subscription as at 30 June 2024</b> <b>RMB'000</b>	<b>Estimated timing for utilizing the remaining Net Proceeds from the Subscription</b>
Construction of Changshu Manufacturing Base	327,335	283,603	50.0%	—	—	—	
Construction of Malaysia Manufacturing Base	261,868	226,883	40.0%	175,656	47,680	127,976	By the end of June 2025
Expansion of European Market	32,733	28,360	5.0%	28,360	4,237	24,123	By the end of 2025
General working capital	32,733	28,360	5.0%	—	—	—	
<b>Subtotal</b>	<b>654,669</b>	<b>567,206</b>	<b>100.0%</b>	<b>204,016</b>	<b>51,917</b>	<b>152,099</b>	

Please refer to the Company's announcements dated 4 January 2023 and 12 January 2023 for further details of the Placing and the Subscription.

## Management Discussion and Analysis

### Use of Net Proceeds from the Global Offering

The Company's Shares were listed on the Main Board of the Stock Exchange on 28 June 2021 in an initial public offering with net proceeds of approximately HK\$686,690,000 (after deduction of underwriting commissions and related expenses) raised (the "**Net Proceeds**").

The Company has allocated and used and will continue to allocate and use the Net Proceeds for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus of the Company. During the Reporting Period, the Group has utilized the Net Proceeds as the table below:

Purposes	Net Proceeds actually allocated HK\$'000	Net Proceeds actually allocated RMB'000	Allocation of Net Proceeds as a percentage of total	Unused Net Proceeds as of 31 December 2023 RMB'000	Net Proceeds utilized during the Reporting Period RMB'000	Unused Net Proceeds as of 30 June 2024 RMB'000	Estimated timing for utilizing the remaining Net Proceeds
Improve production capacity and modular manufacturing capability	412,014	342,957	60.0%	—	—	—	
Improve and expand service and digital service capabilities	90,679	75,481	13.2%	—	—	—	
Continue to implement internationalization strategy	82,436	68,619	12.0%	22,161	8,956	13,205	By the end of 2025
Investment in underlying research and development from 2021 to 2023	32,974	27,448	4.8%	—	—	—	
General working capital	68,587	57,091	10.0%	—	—	—	
<b>Subtotal</b>	<b>686,690</b>	<b>571,596</b>	<b>100.0%</b>	<b>22,161</b>	<b>8,956</b>	<b>13,205</b>	

### Significant Investments, Acquisitions and Disposals

Pursuant to the supplemental agreement to the joint venture agreement dated 1 January 2024, the two investors of Morimatsu Dialog amended the terms of the joint venture agreement dated 27 August 2021. Since 1 January 2024, the Company has directly retained 51% of the shares and has obtained control of the joint venture to enhance synergies in the management of the Group, while the other investor has only retained a protective right.

On 16 January 2024, Morimatsu T&S subscribed for 140,056 preference shares of 3DC Inc., a company established in Japan, with a total subscription amount of JPY49,999,992. Upon the completion of share subscription, Morimatsu T&S holds approximately 2.82% equity interest in 3DC Inc..

On 27 and 28 February 2024, Morimatsu Engineering Technology, a subsidiary of the Company, entered into equity transfer agreements with three independent third parties, pursuant to which, Morimatsu Engineering Technology agreed to acquire Shandong Keda Chemical Engineering Design Co., Ltd. (山東科達化工工程有限公司) (the “**Target Company**”). The registration of change for the equity transfer of the Target Company was completed on 15 March 2024, and Morimatsu Engineering Technology holds 100% equity interest in the Target Company.

On 25 March 2024, the Company established a new wholly-owned subsidiary, Morimatsu International Investment Company Limited (“**MII**”). The registered capital of MII is HK\$10,000, which is primarily engaged in investment holdings.

In April and May 2024, Morimatsu Pharmaceutical Equipment, a subsidiary of the Company, entered into equity transfer agreements with four third parties, pursuant to which, Morimatsu Pharmaceutical Equipment agreed to acquire approximately 27.75% equity interest in Morimatsu Biotechnology. On 24 June 2024, upon the completion of this equity transfer, Morimatsu Pharmaceutical Equipment holds 100% equity interest in Morimatsu Biotechnology.

On 14 June 2024, Morimatsu Biotechnology, a subsidiary of the Company, entered into equity transfer agreements with five third parties, pursuant to which, Morimatsu Biotechnology agreed to acquire approximately 40.68% equity interest in Mori-Biunion Technology. On 30 June 2024, upon the completion of this equity transfer, Morimatsu Biotechnology holds 100% equity interest in Mori-Biunion Technology.

During the Reporting Period, the Company completed capital contributions to Morimatsu Dialog of RM31,110,000. After the increase of the registered capital, the share capital of Morimatsu Dialog was RM150,300,000.

Save as disclosed above, the Group did not hold any other significant investments, nor did it have any material acquisitions or disposals of subsidiaries during the Reporting Period, and the Group did not have any future plans for material investments or capital assets as at 30 June 2024.



# Supplemental Information

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of approximately 4,500 employees, among which over 650 are research and development personnel, accounting for more than 14% of the total number of employees. The Group has a comprehensive remuneration and welfare system and an effective performance appraisal system as required by laws, and determines the remuneration of employees based on their positions and performance. The Group's remuneration policies seek to provide fair market remuneration in form and value to attract, retain and motivate high quality staff. Remuneration packages are set at comparable and competitive levels with other companies in the industry and the market to compete for a similar talent pool.

The Company has also adopted a Pre-IPO Share Option Scheme, a Post-IPO Share Option Scheme and a RSU Scheme. The specific details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme are set out in the sections headed "Pre-IPO Share Option Scheme", "Post-IPO Share Option Scheme" and "RSU Scheme" below.

## RISK MANAGEMENT

The Group recognizes that risk management is one of the important elements for maintaining an efficient, safe and stable business operation. The Group's management is responsible for assisting the Board in evaluating the Group's daily operations and activities, which are exposed to material risks (including operational risks, financial risks, market risks, etc.) within and outside the organization. The Group has also established appropriate risk management and internal control systems and institutions in daily operation and management activities.

### Risks Related to Global Politics and International Trade

The Group is dedicated to expanding its global business, which is subject to the influence of changes in global and regional macroeconomic conditions, geopolitical landscapes, social contexts, and regulatory environments. Political conditions in various countries exhibit ongoing uncertainties, and the international trade system is subject to fluctuations. The Group's operating costs and potential liabilities may be affected by policy decisions and strict regulations across different regions. The Group will continue to monitor the external environment closely, tracking and overseeing changes in the political landscape and adjusting its strategies promptly to respond to dynamic changes at regional and national levels.

### Market Risk

The Group's market risk mainly arises from the cyclical development of downstream market and industries, such as conventional energy products and chemical products. However, the Group is committed to the diversification of market development and customer base. The extensive downstream markets and large customer base enable the Group to make full use of the investment cycle of different industries and customers, embed the existing production capacity into the investment cycle of different fields, and maintain the stable and healthy growth of business.

### Interest Rate Risk

The Group's interest rate risk primarily consists of the fair value interest rate risk associated with bank loans with fixed interest rates and lease liabilities, as well as the cash flow interest rate risk related to bank loans with floating interest rates. The Group closely monitors the potential impact of interest rate fluctuations, regularly reviews and supervises the portfolio of instruments with fixed and floating interest rates, and makes timely adjustments based on the latest market conditions to mitigate interest rate risk.

### **Foreign Exchange Risk**

The Group's revenue is mainly denominated in Renminbi, USD and Euro, and most of the raw materials and capital expenditure are denominated in Renminbi. The Group's foreign exchange risk mainly arises from the foreign currency deposits held and trade receivables denominated in foreign currencies, which would have an impact on the Group's operating profit if foreign exchange rates fluctuate. The Group monitors and reduces the net amount of foreign exchange and establishes a series of forward foreign exchange contracts to control foreign exchange risk, and also promotes the signing of overseas RMB settlement sales orders with customers to reduce foreign exchange risk exposure.

### **Credit Risk**

The Group has established comprehensive credit control policies. It assesses the credit quality of customers and sets corresponding credit terms based on their financial condition, credit history, and other factors, such as current market conditions. The Group performs periodic credit checks on customers, demands for payment for overdue trade receivables, and regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for expected credit losses is made.

As the Group's bank deposits and wealth management products are primarily held with financial institutions of good reputation and high credit ratings, the management considers the associated credit risk to be low.

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

As at 30 June 2024, to the knowledge of the Directors and chief executives of the Company, the interests and short positions of the substantial shareholders and other persons (excluding Directors, supervisors and chief executives of the Company) in the Company's Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of major shareholders	Capacity/ Nature of interests	Number of Shareholdings	Approximate percentage of issued share capital as at 30 June 2024 <sup>2</sup>
Morimatsu Holdings	Beneficial owner	750,000,000 (L) <sup>1</sup>	61.82
Morimatsu Group <sup>3</sup>	Interest in a controlled corporation	750,000,000 (L)	61.82
Mr. Matsuhisa Terumoto <sup>4</sup>	Interest in a controlled corporation	750,000,000 (L)	61.82
	Beneficial owner	16,810,000 (L)	1.39

Notes:

- 1 The letter "L" denotes the person's long position in the Shares.
- 2 The percentage is calculated based on the total number of 1,213,277,800 issued Shares of the Company as at 30 June 2024.
- 3 Morimatsu Holdings is wholly owned by Morimatsu Group. Mr. Matsuhisa Terumoto holds 100% of the voting shares of Morimatsu Group, and is therefore deemed to be interested in the shares held by Morimatsu Holdings.
- 4 Mr. Matsuhisa Terumoto is also interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 16,810,000 Shares.

Save as disclosed above, to the knowledge of the Directors and chief executives, as at 30 June 2024, there is no other person (excluding directors, supervisors and chief executives of the Company or their respective associates) who has interests or short positions as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO in the Shares and underlying Shares.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES

As at 30 June 2024, the interests and short positions of the directors, supervisors, senior management of the Company or their associates in the Shares, the underlying Shares or bonds of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

### Long Position in Shares of the Company

Name of directors	Capacity/ Nature of interests	Number of Shares/underlying Shares held	Approximate percentage of issued share capital as at 30 June 2024 <sup>2</sup>
Matsuhisa Terumoto	Beneficial owner <sup>1</sup>	16,810,000	1.39
Nishimatsu Koei	Beneficial owner <sup>1</sup>	2,889,000	0.24
	Beneficial owner	3,899,000	0.32
Kawashima Hirotaka	Beneficial owner <sup>1</sup>	2,376,000	0.20
Hirazawa Jungo	Beneficial owner <sup>1</sup>	2,040,000	0.17
Tang Weihua	Beneficial owner <sup>1</sup>	1,585,000	0.13
	Beneficial owner	2,434,119	0.20
Sheng Ye	Beneficial owner <sup>1</sup>	2,375,309	0.20
	Beneficial owner	1,617,376	0.13

Notes:

- Interest in the share options granted under the Pre-IPO Share Option Scheme.
- The calculation is based on the total number of 1,213,277,800 Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, no directors, supervisors, senior management of the Company or their associates had or was deemed to have any interests or short positions in the Shares, the underlying Shares or bonds of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

### PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme.

#### (1) Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (2) below) for their contribution to, and continuing efforts to promote the interests of, the Company and for such other purposes as the Board may approve from time to time.

#### (2) Grantee

Directors and employees (whether full-time or part-time) of any member of the Group.

#### (3) Maximum Number of Shares to be Allotted

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 132,380,000 Shares, representing approximately 10.91% of the issued Shares of the Company as at the date of this report.

#### (4) Subscription Price

The subscription price per Share under the Pre-IPO Share Option Scheme is HK\$0.0001.

#### (5) Exercise Period

The options granted under the Pre-IPO Share Option Scheme and the relevant offer letters shall vest as follows:

- 1) a grantee is entitled to exercise 20% of the total number of options granted at any time after the first anniversary of the Listing Date;
- 2) a grantee is entitled to exercise an additional 20% of the total number of options granted at any time after the second anniversary of the Listing Date;
- 3) a grantee is entitled to exercise an additional 20% of the total number of options granted at any time after the third anniversary of the Listing Date;
- 4) a grantee is entitled to exercise an additional 20% of the total number of options granted at any time after the fourth anniversary of the Listing Date;
- 5) a grantee is entitled to exercise the remaining 20% of the total number of options granted at any time after the fifth anniversary of the Listing Date.

#### (6) Term

The Pre-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the Listing Date.

**(7) Right to Cancel Options**

The Board may cancel an option granted but not exercised under the consent of the grantee of such option.

**Exercise of Share Options**

The Company adopted a Pre-IPO Share Option Scheme on 1 July 2020, details of the Pre-IPO Share Option Scheme are set out in Appendix V to the Prospectus. As at 30 June 2024, all share options had been granted under the Pre-IPO Share Option Scheme, and no share options had been cancelled. During the Reporting Period, details of the changes in the share options granted and the share options outstanding under the Pre-IPO Share Option Scheme are as follows:

<b>Grantees</b>	<b>Number of underlying Shares</b>	<b>Number of Shares outstanding as at 1 January 2024</b>	<b>Number of Shares exercised during the Reporting Period</b>	<b>Exercise price (HKD)</b>	<b>Number of Shares lapsed during the Reporting Period</b>	<b>Number of Shares outstanding as at 30 June 2024</b>
<b>Directors</b>						
Matsuhisa Terumoto	16,810,000	16,810,000	—	—	—	16,810,000
Nishimatsu Koei	11,315,000	8,215,000	800,000	0.0001	—	7,415,000
Kawashima Hirotaka	3,960,000	3,960,000	—	—	—	3,960,000
Hirazawa Jungo	3,400,000	3,400,000	—	—	—	3,400,000
Tang Weihua	7,920,000	4,753,000	—	0.0001	—	4,753,000
Sheng Ye	7,920,000	6,043,309	500,000	0.0001	—	5,543,309
Subtotal	51,325,000	43,181,309	1,300,000	—	—	41,881,309
<b>Employees</b>						
Matsuhisa Hideo*	4,200,000	4,199,000	—	0.0001	—	4,199,000
Other 20 employees#	76,855,000	58,800,584	3,376,227	0.0001	—	55,424,357
Total	132,380,000	106,180,893	4,676,227	—	—	101,504,666

\* Employees who are associates of any of the directors of the Company or its subsidiaries.

# Employees who are not the directors of the Company or its subsidiaries or any of his/her associates.

## Supplemental Information

During the Reporting Period, the number of Shares of the Company issued under the Pre-IPO Share Option Scheme amounted to 24,778,000 Shares, representing approximately 2.04% of the issued Shares of the Company as at 30 June 2024. For share options exercised during the Reporting Period, the weighted average closing price on the date immediately prior to the exercise was approximately HK\$4.37.

No further options have been granted under the Pre-IPO Share Option Scheme since the Listing Date. Accordingly, the number of Shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue is nil.

As at the date of this report, the remaining life of the Pre-IPO Share Option Scheme is approximately seven (7) years.

### POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme. Specific details are set out in Appendix V to the Prospectus.

#### (1) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (2) below) for their contribution to, and continuing efforts to promote the interests of, the Company and for such other purposes as the Board may approve from time to time.

#### (2) Eligibility of Participants

The Board may, at its absolute discretion, grant options to eligible persons (being any Directors or employees (whether full time or part time), consultants or advisors who in the sole discretion of the Board have contributed to and/or will contribute to our Group) (the “**Eligible Persons**”) to subscribe for such number of Shares in accordance with the terms of the Post-IPO Share Option Scheme.

#### (3) Maximum Number of Shares

- 1) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.
- 2) Subject to paragraphs (3) 1), 4) and 5), at the time of adoption of the Post-IPO Share Option Scheme or any new share option scheme (the “**New Scheme**”) by our Company, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the New Scheme and all schemes existing at such time (the “**Existing Schemes**”) of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”). As at the date of this report, the total number of Shares available for issue under the Post-IPO Share Option Scheme is 100,000,000 Shares, representing approximately 8.24% of the Shares in issue as at the date of this report.

- 3) For the purposes of calculating the Scheme Mandate Limit under paragraph (3) 2), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.
- 4) The Scheme Mandate Limit may be refreshed by an ordinary resolution approved by the Shareholders in general meeting, provided that:
  - A. the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;
  - B. options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the refreshed limit; and
  - C. a circular regarding the proposed refreshment of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.
- 5) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:
  - A. the options were granted to Eligible Persons specifically identified by the Company before such approval is sought in accordance to the terms of the Post-IPO Share Option Scheme; and
  - B. a circular in relation to such grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and regulations in accordance to the terms of the Post-IPO Share Option Scheme.

#### (4) Maximum Number of Options to any one Individual

No option shall be granted to any Eligible Persons (the "**Relevant Eligible Person**") if, at the relevant time of grant, the total number of Shares issued and to be issued upon the exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which a new offer of the grant of an option under the Post-IPO Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- 1) such grant has been duly approved, in the manner specified by the relevant provisions of Chapter 17 of the Listing Rules, by a resolution of the Shareholders in the general meeting, at which the Relevant Eligible Person and its associates shall abstain from voting;
- 2) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
- 3) the number and terms (including the subscription price) of such share options are determined before the general meeting of our Company at which the same are approved.



### (5) Price of Shares

The subscription price for a Share in respect of any particular share option granted under the Post-IPO Share Option Scheme (which shall be payable upon exercise of the share option) shall be a price determined by the Board at its sole discretion and notified to all Eligible Persons and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the "**Offer Date**") (provided that the new issue price shall be used as the closing price of the Shares for any business day before the listing of the Company in case of the offer date is less than five business days upon the listing of the Company); and (iii) the nominal value of the Share. A consideration of HK\$1.00 is payable on acceptance of the offer of share option.

### (6) Granting Options to Related Persons

Any grant of options to Directors, the chief executive officer or Substantial Shareholders of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the options). If the Company proposes to grant options to a Substantial Shareholder or an independent non-executive Director of our Company or their respective associates which will result in the number and value of Shares issued and to be issued upon the exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue at the time of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK\$5,000,000, such grant shall not be valid unless: (A) a circular containing the details of the grant and the matters specified in the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting) has been dispatched to the Shareholders in a manner complying with the relevant provisions of Chapter 17 of the Listing Rules; and (B) such grant has been approved by the Shareholders in the general meeting (taken on a poll) at which all connected persons shall abstain from voting.

### (7) Restrictions on the Time of Grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement. The period which no option may be granted will cover any period of delay in the publication of results announcement.

## **(8) Time of Exercise of Option**

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as the Board may think fit (to be stated in the offer letter), including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Post-IPO Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to the vesting, exercise or otherwise of an option), there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option shall be the date on which the offer of such option is duly accepted by the grantee in accordance with the Post-IPO Share Option Scheme. An option may be exercised before its expiry in whole or in part in accordance with the terms of the Post-IPO Share Option Scheme and the terms of the offer by the grantee (or his personal representative(s)) giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that it is exercised in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice shall be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Post-IPO Share Option Scheme. Subject to earlier termination by our Company in the general meeting, the Post-IPO Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption of the Post-IPO Share Option Scheme by Shareholders by resolution at a general meeting.

## **(9) Performance Target**

The Board may from time to time require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Post-IPO Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Post-IPO Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Post-IPO Share Option Scheme.

During the period from the Listing Date to 30 June 2024, no option has been granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme and no options were outstanding under the Post-IPO Share Option Scheme. Accordingly, the number of Shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue is nil.

The number of options available for grant under the Post-IPO Share Option Scheme mandate as of the beginning and end of the Reporting Period are both 100,000,000.

As at the date of this report, the remaining life of the Post-IPO Share Option Scheme is approximately seven (7) years.

### RSU SCHEME

The Company adopted the RSU Scheme on 15 December 2021 and granted restricted share units (“RSUs”) on 5 January 2022 under the RSU Scheme. Set out below is a summary of the principal terms of the RSU Scheme, with specific details set out in the Company’s announcements dated 15 December 2021 and 5 January 2022 respectively.

#### (1) Purpose

The RSU Scheme is designed to attract and retain the best available talent, motivate employees and promote the success of the Company’s business.

#### (2) Participants

Persons eligible to receive RSUs under the RSU Scheme are existing employees (whether full-time or part-time) of the Company or any member of the Group. Employees who are granted Awards (if otherwise eligible) may be granted additional awards.

#### (3) Administration of the Scheme

The Company has appointed Futu Trustee Limited as the trustee of the RSU Scheme to assist in the administration and vesting of the RSUs granted under the RSU Scheme.

#### (4) Duration and Termination

Subject to any early termination as may be determined by the Board pursuant to the RSU Scheme, the Scheme shall be valid and effective for a period of five (5) years commencing from the Adoption Date. Upon termination of the RSU Scheme, no further RSUs shall be granted under the RSU Scheme.

#### (5) Scheme Limit

The Shares to be issued under the RSU Scheme shall be authorized but unissued or repurchased ordinary shares. The total number of Shares available for issue under the RSU Scheme is 30,000,000 Shares, representing approximately 2.47% of the Shares in issue as at the date of this report. In any event, 1) the maximum aggregate number of Shares which may be issued under the RSU Scheme shall not exceed 10% of the issued Shares of the Company (as varied from time to time); and 2) the maximum aggregate number of Shares which may be granted to individual employees under the RSU Scheme shall not exceed 1% of the issued Shares of the Company (as varied from time to time).

#### (6) Grant of RSUs

As at 30 June 2024, a total of 29,459,700 RSUs (equivalent to 29,459,700 underlying Shares) had been granted to 149 grantees under the RSU Scheme at nil consideration, representing approximately 2.43% of the issued Shares of the Company as at 30 June 2024. As at the beginning of the Reporting Period and the end of the Reporting Period, the number of RSUs authorized to be available for grant under the RSU Scheme was 540,300.

**(7) Purchase Price**

The purchase price for exercising a RSU is HK\$4.17. The purchase price for exercising a RSU shall be determined by the Board at its own discretion. In determining the purchase price, the Board takes into account considerations such as the prevailing closing price of the Shares prior to the date of grant of RSUs, the purpose of the RSU Scheme, and the financial condition and valuation of the Group.

**(8) Vesting Schedule**

The vesting schedule of the 29,459,700 RSUs granted to the grantees shall be as follows:

- 1) in relation to the 9,819,900 RSUs granted: the RSUs shall vest on 5 January 2023;
- 2) in relation to the 9,819,900 RSUs granted: the RSUs shall vest on 5 January 2024;
- 3) in relation to the 9,819,900 RSUs granted: the RSUs shall vest on 5 January 2025.

**(9) Performance Targets**

The vesting of each tranche of RSUs as described above is subject to the achievement of certain performance targets:

- 1) Performance at the Group level:

The Company will assess the Group's revenue and profit for the relevant year.

- 2) Performance at the individual level:

The Group has implemented a standardized performance appraisal system for its employees to comprehensively assess their performance and contribution to the Group. The Company will determine whether a grantee has met the individual performance targets based on the results of the grantee's performance assessment for the relevant year. If the performance targets are partially achieved and met, the applicable RSUs may vest pro rata according to the actual performance targets achieved in the relevant year.

## Supplemental Information

### Changes in RSUs

The Company adopted the RSU Scheme on 15 December 2021 and granted RSUs on 5 January 2022 under the RSU Scheme. Specific details of the RSU Scheme are set out in the Company's announcement dated 15 December 2021 and the announcement dated 5 January 2022. During the Reporting Period, no RSUs were canceled. Details of the movements in RSUs granted under the RSU Scheme and the RSUs outstanding during the Reporting Period are set out below:

<b>Grantees</b>	<b>Number of RSUs granted on 5 January 2022</b>	<b>Number of RSUs outstanding as at 1 January 2024</b>	<b>Number of RSUs vested during the Reporting Period</b>	<b>Purchase Price (HKD)</b>	<b>Number of RSUs lapsed during the Reporting Period</b>	<b>Number of RSUs outstanding as at 30 June 2024</b>
149 employees	29,459,700	18,538,200	9,269,100	4.17	0	9,269,100

The closing price of the relevant RSUs before the date of grant was HK\$8.51. For the RSUs vested during the Reporting Period, the weighted average closing price immediately before the dates of grant was HK\$5.13. As at 30 June 2024, the number of Shares issued by the Company under the RSU Scheme was 19,639,800 Shares, representing approximately 1.62% of the issued Shares of the Company as at 30 June 2024.

No further RSUs have been granted under the RSU Scheme during the Reporting Period. Accordingly, the number of Shares that may be issued in respect of RSUs granted under the RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue is nil.

As at the date of this report, the remaining life of the RSU Scheme is approximately two (2) years.

### MATERIAL LITIGATIONS AND ARBITRATION MATTERS

As at 30 June 2024, the Company has no material litigations and arbitration matters.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 1,592,000 Shares ("**Shares Repurchased**") on the Stock Exchange pursuant to the general mandate granted at the AGM held on 28 June 2023, at an aggregate consideration of HK\$8,239,022.50. Details of Shares Repurchased are as follow:

Month	Number of Shares Repurchased	Price paid per Share		Aggregate consideration (HKD)
		Highest (HKD)	Lowest (HKD)	
April 2024	170,000	4.53	4.3	756,549.60
May 2024	987,000	5.15	4.74	4,879,228.10
June 2024	435,000	6.18	5.84	2,603,244.80
Total	1,592,000	—	—	8,239,022.50

During the Reporting Period, the Shares Repurchased were fully cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries conducted any purchase, sale or redemption of any listed securities of the Company during the Reporting Period.

## DIVIDEND

The Directors resolved not to declare the payment of any interim dividend for the six months ended 30 June 2024.

## PUBLIC FLOAT

According to the publicly available information and to the best knowledge of Directors, the Company has maintained a public float of not less than 25% of the issued Shares since the Listing Date up to the date of this report.

## CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has adopted and complied with the code provisions of the CG Code and there had been no deviation from the code provisions of the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors. Having made specific enquiries with all Directors, they have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

### **DISCLOSURE OF DIRECTORS' INFORMATION**

According to Rule 13.51B of the Listing Rules, the changes in Directors' information are as follows:

Mr. Nishimatsu Koei, an executive Director, served as the chairman of the board of Morimatsu Pharmaceutical Equipment since 16 January 2024.

Save as disclosed above, there were no other changes in Director's information required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the Reporting Period and as at the date of this report.

### **AUDIT COMMITTEE**

The Audit Committee currently consists of one non-executive Director, Mr. Matsuhisa Terumoto, and two independent non-executive Directors, Ms. Chan Yuen Sau Kelly and Mr. Kanno Shinichiro. The unaudited consolidated results and interim report of the Group during the Reporting Period have been reviewed by the Audit Committee.

# Consolidated Statements of Profit or Loss

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>3,476,752</b>	3,691,759
Cost of sales		<b>(2,448,304)</b>	(2,682,667)
<b>Gross profit</b>		<b>1,028,448</b>	1,009,092
Other income	4	<b>60,689</b>	14,121
Selling and marketing expenses		<b>(81,158)</b>	(78,986)
General and administrative expenses		<b>(264,573)</b>	(269,168)
Research and development expenses		<b>(219,020)</b>	(168,090)
Impairment loss (recognised)/reversed on trade receivables and contract assets		<b>(51,731)</b>	388
<b>Profit from operations</b>		<b>472,655</b>	507,357
Finance costs	5(a)	<b>(4,966)</b>	(7,339)
Share of results of joint venture		—	(3,596)
Shares of results of associates		<b>(202)</b>	8
<b>Profit before taxation</b>	5	<b>467,487</b>	496,430
Income tax	6	<b>(93,660)</b>	(75,401)
<b>Profit for the period</b>		<b>373,827</b>	421,029
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>375,886</b>	422,346
Non-controlling interests		<b>(2,059)</b>	(1,317)
<b>Profit for the period</b>		<b>373,827</b>	421,029
<b>Earnings per share</b>	7		
Basic (RMB)		<b>0.32</b>	0.37
Diluted (RMB)		<b>0.30</b>	0.34

The notes on pages 54 to 76 form part of this interim financial report.



# Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>373,827</b>	421,029
<b>Other comprehensive income for the period</b>		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>809</b>	30,273
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<b>(6,072)</b>	1,812
<b>Other comprehensive income for the period</b>	<b>(5,263)</b>	32,085
<b>Total comprehensive income for the period</b>	<b>368,564</b>	453,114
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>371,199</b>	454,431
Non-controlling interests	<b>(2,635)</b>	(1,317)
<b>Total comprehensive income for the period</b>	<b>368,564</b>	453,114

The notes on pages 54 to 76 form part of this interim financial report.

# Consolidated Statements of Financial Position

At 30 June 2024 – unaudited

	Note	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	2,268,408	2,105,463
Right-of-use assets	9	206,589	189,565
Intangible assets		61,495	30,612
Interests in associates		65,159	65,361
Interest in joint venture		—	57,428
Financial assets measured at fair value through profit or loss ("FVPL")		12,513	10,100
Deferred tax assets		28,071	13,991
Other non-current assets	10	39,241	65,577
		<b>2,681,476</b>	2,538,097
<b>Current assets</b>			
Inventories	11	1,042,383	1,800,466
Contract assets		906,395	866,310
Trade and other receivables	12	1,669,839	1,499,372
Financial assets measured at fair value through profit or loss ("FVPL")	16	456,321	59,149
Cash and cash equivalents	13	1,939,218	2,168,682
		<b>6,014,156</b>	6,393,979
<b>Current liabilities</b>			
Trade and other payables	14	1,467,245	1,669,850
Contract liabilities		1,858,537	2,290,334
Interest-bearing borrowings		105,123	185,524
Lease liabilities		11,921	4,312
Current taxation		82,239	90,089
Provisions		31,188	30,904
		<b>3,556,253</b>	4,271,013
<b>Net current assets</b>		<b>2,457,903</b>	2,122,966
<b>Total assets less current liabilities</b>		<b>5,139,379</b>	4,661,063

## Consolidated Statements of Financial Position

At 30 June 2024 – unaudited

	Note	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings		174,559	179,559
Lease liabilities		29,249	14,938
Deferred tax liabilities		26,072	31,593
Deferred income		43,577	44,364
		<b>273,457</b>	270,454
<b>Net assets</b>			
		<b>4,865,922</b>	4,390,609
<b>Capital and reserves</b>			
Share capital	15(c)	1,305,929	1,302,751
Reserves		3,458,233	3,079,740
Total equity attributable to equity shareholders of the Company		<b>4,764,162</b>	4,382,491
Non-controlling interests		<b>101,760</b>	8,118
<b>Total equity</b>		<b>4,865,922</b>	4,390,609

The notes on pages 54 to 76 form part of this interim financial report.

# Consolidated Statements of Changes in Equity

For the six months ended 30 June 2024 – unaudited

	Note	Attributable to equity shareholders of the Company						Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000	Treasury stock RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings* RMB'000			
<b>Balance at 1 January 2023</b>		643,657	(36,580)	604,772	8,837	(7,761)	1,602,805	2,815,730	6,916	2,822,646
<b>Changes in equity for the six months ended 30 June 2023:</b>										
Profit for the period		—	—	—	—	—	422,346	422,346	(1,317)	421,029
Other comprehensive income for the period		—	—	—	—	32,085	—	32,085	—	32,085
Total comprehensive income for the period		—	—	—	—	32,085	422,346	454,431	(1,317)	453,114
Allotment of shares		567,206	—	—	—	—	—	567,206	—	567,206
Investment from non-controlling shareholder		—	—	—	—	—	—	—	3,338	3,338
Equity settled share-based payment	15(b)	—	—	53,509	—	—	—	53,509	—	53,509
Issuance and repurchase of ordinary shares to the Company	15(c)	2	(2)	—	—	—	—	—	—	—
Exercise of share option	15(c)	41,429	35,040	(42,413)	—	—	—	34,056	—	34,056
<b>Balance at 30 June 2023</b>		1,252,294	(1,542)	615,868	8,837	24,324	2,025,151	3,924,932	8,937	3,933,869
<b>Balance at 1 July 2023</b>		1,252,294	(1,542)	615,868	8,837	24,324	2,025,151	3,924,932	8,937	3,933,869
<b>Changes in equity for the six months ended 31 December 2023:</b>										
Profit for the period		—	—	—	—	—	422,338	422,338	(819)	421,519
Other comprehensive income for the period		—	—	—	—	(2,959)	—	(2,959)	—	(2,959)
Total comprehensive income for the period		—	—	—	—	(2,959)	422,338	419,379	(819)	418,560
Investment from non-controlling shareholder		—	—	—	—	—	—	—	—	—
Equity settled share-based payment	15(b)	—	—	38,179	—	—	—	38,179	—	38,179
Issuance and repurchase of ordinary shares to the Company	15(c)	37,108	(37,108)	—	—	—	—	—	—	—
Exercise of share option and RSUs	15(c)	13,349	(294)	(13,054)	—	—	—	1	—	1
<b>Balance at 31 December 2023</b>		1,302,751	(38,944)	640,993	8,837	21,365	2,447,489	4,382,491	8,118	4,390,609

\* As at 30 June 2023, the retained earnings contain RMB195,988,000 which is undistributable.

\*\* As at 31 December 2023, the retained earnings contain RMB309,330,000 which is undistributable.

## Consolidated Statements of Changes in Equity

For the six months ended 30 June 2024 – unaudited

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interest	Total equity
		Share capital	Treasury stock	Capital reserve	Other reserve	Exchange reserve	Retained earnings*			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
<b>Balance at 1 January 2024</b>		<b>1,302,751</b>	<b>(38,944)</b>	<b>640,993</b>	<b>8,837</b>	<b>21,365</b>	<b>2,447,489</b>	<b>4,382,491</b>	<b>8,118</b>	<b>4,390,609</b>
<b>Changes in equity for the six months ended 30 June 2024:</b>										
Profit for the period		—	—	—	—	—	375,886	375,886	(2,059)	373,827
Other comprehensive income for the period		—	—	—	—	(4,687)	—	(4,687)	(576)	(5,263)
Total comprehensive income for the period		—	—	—	—	(4,687)	375,886	371,199	(2,635)	368,564
Acquisition of a subsidiary	15(e)	—	—	—	—	—	—	—	55,176	55,176
Investment from non-controlling shareholder	15(e)	—	—	—	—	—	—	—	59,239	59,239
Purchase of minority shares	15(e)	—	—	(11,417)	—	—	—	(11,417)	(18,138)	(29,555)
Equity settled share-based payment	15(b)	—	—	29,425	—	—	—	29,425	—	29,425
Issuance and repurchase of ordinary shares to the Company	15(c)	2	(2)	—	—	—	—	—	—	—
Repurchase of ordinary shares to the Company	15(c)	—	(7,536)	—	—	—	—	(7,536)	—	(7,536)
Cancellation of ordinary shares to the Company	15(c)	(7,536)	7,536	—	—	—	—	—	—	—
Exercise of share option	15(c)	10,712	(*)	(10,712)	—	—	—	—	—	—
<b>Balance at 30 June 2024</b>		<b>1,305,929</b>	<b>(38,946)</b>	<b>648,289</b>	<b>8,837</b>	<b>16,678</b>	<b>2,823,375</b>	<b>4,764,162</b>	<b>101,760</b>	<b>4,865,922</b>

\* The balances represent amounts less than RMB1,000.

\*\* As at 30 June 2024, the retained earnings contain RMB312,524,000 which is undistributable.

The notes on pages 54 to 76 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statements

For the six months ended 30 June 2024 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Operating activities:</b>		
Cash generated from operations	<b>435,287</b>	517,012
Income tax paid	<b>(121,111)</b>	(61,907)
<b>Net cash generated from operating activities</b>	<b>314,176</b>	455,105
<b>Investing activities:</b>		
Payment for the purchase of long-term assets	<b>(227,587)</b>	(230,387)
Net cash payment for acquisition of monetary fund measured at FVPL	<b>(396,337)</b>	(226,600)
Payment for minority shares	<b>(19,555)</b>	—
Payment for acquisition of financial assets measured at FVPL	<b>(2,413)</b>	—
Payment for equity method investments	—	(28,757)
Proceeds from sale of long-term assets	<b>629</b>	40
Cash received from acquisition of subsidiary	<b>121,563</b>	—
Net cash received from disposal of financial assets or liabilities measured at FVPL	<b>3,094</b>	3,909
Interest received	<b>25,697</b>	21,626
<b>Net cash used in investing activities</b>	<b>(494,909)</b>	(460,169)
<b>Financing activities:</b>		
Capital element of lease rentals paid	<b>(5,462)</b>	(3,071)
Proceeds from bank loans	—	26,640
Repayment of bank loans	<b>(84,485)</b>	(69,900)
Proceeds from allotment of shares	—	567,206
Proceeds from exercise of share options and RSUs	—	34,056
Repurchase and cancellation of ordinary shares	<b>(7,536)</b>	—
Cash received from non-controlling shareholder	<b>59,239</b>	3,338
Interest element of lease rentals paid	<b>(833)</b>	(481)
Interest paid	<b>(3,397)</b>	(10,139)
<b>Net cash (used in)/generated from financing activities</b>	<b>(42,474)</b>	547,649
Effect of foreign exchange rate changes on cash and cash equivalents	<b>(6,257)</b>	19,361
Net (decrease)/increase in cash and cash equivalents	<b>(229,464)</b>	561,946
Cash and cash equivalents at 1 January	<b>2,168,682</b>	1,370,359
Cash and cash equivalents at 30 June	<b>1,939,218</b>	1,932,305

The notes on pages 54 to 76 form part of this interim financial report.

# Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

## 1 BASIS OF PREPARATION

### (a) Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 20 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

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

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

(Expressed in Renminbi yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### **Amendments to HKAS 1, *Presentation of Financial Statements* (“2020 and 2022 Amendments”, or Collectively The “HKAS 1 Amendments”)**

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.



## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### **Amendments to HKFRS 16, Leases: Lease Liability in a Sale and Leaseback**

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

#### **Amendments to Hkas 7, Statement of Cash Flows and HKFRS 7, Financial Instruments: Disclosures — Supplier Finance Arrangements**

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are the production and sales of various pressure equipment.

#### (i) Disaggregation of Revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— traditional pressure equipment	1,249,383	1,069,274
— reactor	664,387	455,349
— heat exchanger	351,164	326,208
— tank	79,271	208,304
— tower	154,561	79,413
— modular pressure equipment	2,143,433	2,551,515
— others*	11,108	14,396
<b>Sales of products</b>	<b>3,403,924</b>	<b>3,635,185</b>
— Pressure equipment design, validation, and maintenance service	72,828	56,574
<b>Service</b>	<b>72,828</b>	<b>56,574</b>
<b>Revenue of operations</b>	<b>3,476,752</b>	<b>3,691,759</b>

\* Others include primarily sales of raw materials and scrap materials.

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Point in time	2,372,607	1,861,642
Over time	1,104,145	1,830,117
<b>Total</b>	<b>3,476,752</b>	<b>3,691,759</b>

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (a) Revenue (Continued)

##### (i) Disaggregation of Revenue (Continued)

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 3(a)(ii).

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues of six months ended 30 June 2024 (six months ended 30 June 2023: two). Revenues from those customers are set out below:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Customer A	<b>355,367</b>	431,339
Customer B	*	393,597

\* Less than 10% of the Group's revenue for the corresponding periods.

##### (ii) Geographic Information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Mainland China	<b>1,524,316</b>	2,268,690
North America	<b>549,514</b>	495,623
Asia (excluding Mainland China)	<b>1,005,229</b>	521,025
Europe	<b>99,951</b>	54,306
Africa	<b>10,495</b>	248,650
Others (Note)	<b>287,247</b>	103,465
Total	<b>3,476,752</b>	3,691,759

Note: Others mainly included countries in South America and Oceania.

The Group's property, plant and equipment, intangible assets are mainly located in mainland China and accordingly, no geographical information of non-current assets is presented.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING *(Continued)*

#### (b) Segment Reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision makers for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sale of comprehensive pressure equipment.

### 4 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (i)	<b>12,761</b>	3,368
Interest income	<b>25,697</b>	21,626
Net realised gains on monetary fund	<b>3,094</b>	4,050
Net realised gains on forward exchange contracts	<b>—</b>	166
Net foreign exchange gains/(losses)	<b>19,714</b>	(17,150)
Changes in fair value of financial assets and liabilities	<b>835</b>	1,220
Net loss on disposal of property, plant and equipment	<b>(342)</b>	(281)
Others	<b>(1,070)</b>	1,122
	<b>60,689</b>	14,121

- (i) Government grants mainly include: (a) grants relating to expenses which represent unconditional grants received from local government to encourage the Group's development; and (b) grants relating to assets which represent the amortisation of deferred income.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>(a) Finance costs:</b>		
Interest on interest-bearing borrowings	<b>4,133</b>	6,858
Interest on lease liabilities	<b>833</b>	481
	<b>4,966</b>	7,339
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	<b>514,581</b>	519,413
Equity-settled share-based payment expenses (Note 15(b))	<b>29,425</b>	53,509
Contributions to defined contribution retirement plans (i)	<b>58,926</b>	53,295
	<b>602,932</b>	626,217

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>(c) Other items:</b>		
Amortisation of intangible assets	<b>9,884</b>	7,338
Depreciation charge		
— owned property, plant and equipment	<b>68,023</b>	56,400
— right-of-use assets	<b>5,734</b>	5,943
Research and development costs (i)	<b>219,020</b>	168,090
Increase in provisions	<b>12,275</b>	6,939
Cost of inventories (ii)	<b>2,448,304</b>	2,682,667
Inventory write-down and losses net of reversals (Note 11)	<b>6,572</b>	6,301

- (i) Research and development costs included staff costs of RMB107,820,000 (six months ended 30 June 2023: RMB89,549,000), depreciation and amortisation expenses of RMB5,297,000 (six months ended 30 June 2023: RMB5,271,000) for the six months ended 30 June 2024, which are also included in the respective total amounts disclosed separately above or in Note 5(b).

- (ii) Cost of inventories included staff costs of RMB323,073,000 (six months ended 30 June 2023: RMB284,686,000), depreciation and amortisation expenses of RMB61,954,000 (six months ended 30 June 2023: RMB35,171,000) for the six months ended 30 June 2024, which are also included in the respective total amounts disclosed separately above or in Note 5(b).

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### (a) Taxation in the Consolidated Statements of Profit or Loss Represents:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>Current tax:</b>		
Provision for the year	<b>113,261</b>	68,968
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<b>(19,601)</b>	6,433
Actual tax expense	<b>93,660</b>	75,401

- (i) Under the Corporate Income Tax Law of the PRC (the "CIT Law"), the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate unless otherwise specified.

Pursuant to the income tax rules and regulations of where the Company and the Group's subsidiaries located, the Company and the Group's subsidiaries outside PRC were subject to the corporate income tax at a rate listed below:

Country and region	Company	Six months ended 30 June	
		2024	2023
Hong Kong	Morimatsu International Holdings Company Limited(*)	<b>16.5%</b>	16.5%
	Morimatsu Investment Company Limited(**)	<b>16.5%</b>	16.5%
	Morimatsu International Investment Company Limited(*)(***)	<b>16.5%</b>	N/A
Sweden	Pharmadule Morimatsu AB	<b>20.6%</b>	20.6%
the United States	Pharmadule Morimatsu Inc(***)	<b>21.0%</b>	21.0%
	Morimatsu Houston Corporation(***)	<b>21.0%</b>	21.0%
India	Pharmadule Engineering India Private Limited	<b>25.17%</b>	25.17%
Malaysia	Morimatsu Dialog (Malaysia) SDN. BHD.(*) (***)	<b>24.0%</b>	N/A

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)

(a) (Continued)

(i) (Continued)

Country and region	Company	Six months ended 30 June	
		2024	2023
Japan	Pharmadule Technology and Service Company Limited (previous name: Morimatsu Technology and Service Company Limited) (*)	<b>33.58%</b>	33.58%
	Morimatsu Technology and Service Company Limited(*)(***)	<b>33.58%</b>	N/A
Italy	Morimatsu Italy S.R.L(*)	<b>24.0%</b>	24.0%
Mexico	Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd.(*)	<b>30.0%</b>	30.0%
Singapore	Morimatsu Pharmadule (Singapore) Pte. Ltd.(*)	<b>17.0%</b>	17.0%
	Morimatsu Lifesciences (Singapore) Pte. Ltd. (*)(***)	<b>17.0%</b>	N/A
	Morimatsu (Singapore) Pte. Ltd.(*)(***)	<b>17.0%</b>	N/A

\* No provision for income tax was made for these companies as these companies did not have income subject to corporate income tax during the six months ended 30 June 2024 and 2023 respectively.

\*\* The company has been dissolved since 10 May 2024.

\*\*\* These companies were not registered or Group's subsidiaries during the six months ended 30 June 2023.

\*\*\*\* The tax rate represents federal income tax.

(Expressed in Renminbi yuan unless otherwise indicated)

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)

### (a) (Continued)

- (ii) The subsidiaries of the Group are entitled as a High and New Technology Enterprise as follows:

	Applicable preferential tax rate	Period
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. (" <b>Morimatsu Pharmaceutical Equipment</b> ") (上海森松製藥設備工程有限公司)*	15%	2023–2024
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (" <b>Morimatsu Heavy Industry</b> ") (森松(江蘇)重工有限公司)*	15%	2023–2024
Shanghai Morimatsu Biotechnology Co., Ltd. (" <b>Morimatsu Biotechnology</b> ") (上海森松生物科技有限公司)*	15%	2023–2024
Shanghai Morimatsu Engineering Technology Co., Ltd. (" <b>Morimatsu Engineering Technology</b> ") (上海森松工程技術有限公司)*	15%	2023–2024

\* The English translation of these entities is for reference only. The official name of these entities in the PRC is in Chinese.

- (iii) Under the CIT Law of the PRC and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 200% on the amount actually incurred for each of the year ended 31 December 2024 and 2023.
- (iv) According to the CIT Law and its implementing regulations of the CIT Law, for dividends payable to investors that are non-resident enterprise (who do not have organisations or places of business in the PRC, or that have organisations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).
- (v) Under PRC CIT law, the deductible tax losses expire within 5 years from the year when such losses were incurred. It mainly arose from the Morimatsu (China) Investment Co., Ltd. whose principal activity was investment holding, Morimatsu (Suzhou) LifeSciences Co., Ltd., Shanghai Morimatsu Engineering Technology Co., Ltd. and Shanghai Mori-Biounion Technology Co., Ltd..

### (b) Pillar Two Income Tax

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Group is still evaluating the tax effect under the Pillar Two model rules.



## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 7 EARNINGS PER SHARE

#### (a) Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB375,886,000 (six months ended 30 June 2023: RMB422,346,000) and the weighted average of 1,169,729,000 ordinary shares (2023: 1,147,734,000 shares) in issue during the interim period.

#### Weighted Average Number of Ordinary Shares

	Six months ended 30 June	
	2024	2023
Issued ordinary shares at the beginning of the period	<b>1,140,869,000</b>	1,052,913,000
Effect of allotment of shares	—	74,696,000
Effect of shares repurchase and cancelled	<b>(18,000)</b>	—
Effect of exercise of share options	<b>4,004,000</b>	129,000
Effect of vested RSUs	—	9,199,000
Effect of vested shares options exercisable for no more than little consideration (note (i) below)	<b>24,874,000</b>	10,797,000
<b>Weighted average number of ordinary shares</b>	<b>1,169,729,000</b>	1,147,734,000

note (i): The number of ordinary shares outstanding were vested and exercisable for no more than little consideration, as if the shares vested and exercised from the vesting date.

#### (b) Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB375,886,000 (six months ended 30 June 2023: RMB422,346,000) and the weighted average number of ordinary shares of 1,239,937,000 (2023: 1,240,786,000 shares).

#### Weighted Average Number of Ordinary Shares (Diluted)

	Six months ended 30 June	
	2024	2023
Weighted average number of ordinary shares	<b>1,169,729,000</b>	1,147,734,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and RSU Scheme	<b>70,208,000</b>	93,052,000
<b>Weighted average number of ordinary shares (diluted)</b>	<b>1,239,937,000</b>	1,240,786,000

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of plant and buildings, machinery and equipment, office and other equipment, motor vehicles and construction in progress with a cost of RMB224,540,000 (six months ended 30 June 2023: RMB386,388,000). Items of machinery and equipment, office and other equipment, motor vehicles with a net book value of RMB640,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB321,000), resulting in a loss on disposal of RMB342,000 (six months ended 30 June 2023: RMB281,000).

### 9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for leasehold plant and buildings, and therefore recognised the additions to right-of-use assets of RMB12,768,000 (six months ended 30 June 2023: RMB1,263,000).

### 10 OTHER NON-CURRENT ASSETS

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Prepayments for property, plant and equipment	<b>25,942</b>	51,271
Long-term deferred expense	<b>13,299</b>	14,306
	<b>39,241</b>	65,577

### 11 INVENTORIES

During the six months ended 30 June 2024, RMB274,000 (six months ended 30 June 2023: RMB554,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain comprehensive pressure equipment as a result of increase of market price.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 12 TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Bills receivable	<b>172,800</b>	132,887
Trade debtors net of loss allowance	<b>1,229,060</b>	1,106,792
Other debtors	<b>69,990</b>	69,389
	<b>1,471,850</b>	1,309,068
Prepayments	<b>197,989</b>	190,304
	<b>1,669,839</b>	1,499,372

As at the end of each reporting period, an ageing analysis of the trade debtors (which are included in trade and other receivables), based on the date of invoice and net of loss allowance, is as follows:

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Within 3 months	<b>391,609</b>	589,670
More than 3 months but less than 1 year	<b>618,292</b>	369,023
More than 1 year but less than 2 years	<b>186,986</b>	139,423
More than 2 years	<b>32,173</b>	8,676
	<b>1,229,060</b>	1,106,792

Trade debtors and bills receivable are mainly due within 30–120 days from the date of invoice.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 13 CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Deposits with banks	<b>807,163</b>	558,975
Cash at banks and on hand	<b>1,125,652</b>	1,609,707
Restricted cash	<b>6,403</b>	—
	<b>1,939,218</b>	2,168,682

As at the end of each reporting period, cash and cash equivalents situated in Mainland China amounted to RMB968,721,000 (2023: RMB969,224,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

### 14 TRADE AND OTHER PAYABLES

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Bills payable	<b>29,986</b>	26,921
Trade payables	<b>1,061,756</b>	1,254,536
Other payables and accruals	<b>375,503</b>	388,393
	<b>1,467,245</b>	1,669,850

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 14 TRADE AND OTHER PAYABLES (Continued)

As at the end of each reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Within 3 months	<b>576,223</b>	761,296
More than 3 months but less than 6 months	<b>180,524</b>	162,953
More than 6 months but less than 12 months	<b>102,034</b>	173,368
More than 1 year but less than 2 years	<b>159,930</b>	151,868
More than 2 years	<b>43,045</b>	5,051
	<b>1,061,756</b>	1,254,536

### 15 CAPITAL AND RESERVES

#### (a) Dividend

The Board of the Company resolved not to declare the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

The Board of the Company's subsidiary has resolved to propose RMB200,000,000 of its interim dividend to the Company for the six months ended 30 June 2024 (30 June 2023: RMB50,000,000).

(Expressed in Renminbi yuan unless otherwise indicated)

### 15 CAPITAL AND RESERVES (Continued)

#### (b) Equity-Settled Share-based Transactions

The Group has a share option scheme (the “**Pre-IPO Share Option Scheme**”) which was adopted on 1 July 2020 whereby the directors of the Group are authorised, at their discretion, to invite employees and directors of the Group, to take up options at HK\$1.00 for each acceptance of the share offer. The option vests after one year from the listing date (28 June 2021) and are then exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Group and is settled gross in shares.

As at 1 July 2020, the Group has conditionally granted options to subscribe for an aggregate of 132,380,000 ordinary shares to 27 participants (including employees and directors of the Group) at consideration of an option price of HK\$0.0001 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme.

The Group recognised an expense of RMB23,012,000 in the six months period ended 30 June 2024 (six months ended 30 June 2023: RMB37,609,000), which is by reference to the fair value of the options granted on the measurement date (also referred as “grant date” herein), and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

The Group has a restricted share units scheme (the “**RSU Scheme**”) which was adopted on 15 December 2021 whereby 29,459,700 restricted share units (“**RSU**”) were granted to 149 qualified employees on 5 January 2022. The RSU vests after one year from 5 January 2022 and are then exercisable within a period of three years. Each RSU gives the holder the right to subscribe for one ordinary share in the Group at the purchase price of HKD4.17.

The Group recognised an expense of RMB6,413,000 in the six months period ended 30 June 2024 (six months ended 30 June 2023: RMB15,900,000), which is by reference to the fair value of the RSUs on the vesting date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

#### (c) Share Capital

##### (i) Issuance and Repurchase of Ordinary Shares to the Company

The Company issued and repurchased 24,778,000 ordinary shares at HK\$1.208 per share for exercise of Pre-IPO Share Option Scheme on 3 June 2024 (26,476,000 ordinary shares at HK\$0.6651 on 1 June 2023).

The Company issued and repurchased 9,819,900 ordinary shares at HK\$4.17 per share for exercise of RSU Scheme on 23 November 2023.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 15 CAPITAL AND RESERVES (Continued)

#### (c) Share Capital (Continued)

##### (ii) Exercise of Share Option and RSU

Options to subscribe for an aggregate of 4,676,227 ordinary shares were exercised in the six months period ended 30 June 2024, which resulted in an increase in share capital of RMB10,712,000.

Options to subscribe for an aggregate of 2,257,707 ordinary shares were exercised in the six months period ended 30 June 2023, which resulted in an increase in share capital of RMB5,172,000.

9,269,100 RSUs were vested and no RSUs were exercised in the six months period ended 30 June 2024.

9,406,800 RSUs were vested and exercised in the six months period ended 30 June 2023, which resulted in an increase in the share capital of RMB36,257,000.

##### (iii) Repurchase and Cancellation of Ordinary Shares to the Company

The Company repurchased and cancelled a total of 1,592,000 ordinary shares at a price ranging from HK\$4.30 to HK\$6.18 per share during the six months period ended 30 June 2024 (2023: nil).

#### (d) Other Reserve

Other reserve mainly represented the differences between the considerations paid and the relevant carrying value of net assets of the subsidiaries acquired, after eliminating the internal transaction.

#### (e) Investments in Subsidiaries

Pursuant to the supplemental agreement to the joint venture agreement dated 1 January 2024, the Group acquired its joint venture, Morimatsu Dialog (Malaysia) SDN. BHD. ("**Morimatsu Dialog**") for nil cash consideration. The acquisition cost of the 49% equity interest in Morimatsu Dialog, measured at the acquisition date, is RMB55,176,000. In April 2024, the Group has injected MYR31,110,000 (equivalent to RMB46,251,000) to Morimatsu Dialog. In May and June 2024, the non-controlling shareholder of Morimatsu Dialog, Dialog Fabricators SDN. BHD. has injected MYR10,000,000 (equivalent to RMB14,890,000) and MYR19,890,000 (equivalent to RMB30,074,000) to Morimatsu Dialog, respectively.

In April and May 2024, the non-controlling shareholders of Shanghai Morimatsu Biotechnology Co., Ltd. has injected RMB7,475,000 to Shanghai Morimatsu Biotechnology Co., Ltd.. In June 2024, the holding company of Shanghai Morimatsu Biotechnology Co., Ltd., Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd., acquired 27.75% of the equity interest from the non-controlling shareholders for a cash consideration of RMB12,755,000, which was fully paid. Pursuant to the articles of association, the Group obtained 100% of the equity interest of Shanghai Morimatsu Biotechnology Co., Ltd. on 24 June 2024.

In June 2024, the non-controlling shareholders of Shanghai Mori-Biunion Technology Co., Ltd. has injected capital of RMB6,800,000 in total. In June 2024, the holding company of Shanghai Mori-Biunion Technology Co., Ltd., Shanghai Morimatsu Biotechnology Co., Ltd. acquired 40.68% of the equity interest from the non-controlling shareholders for a cash consideration of RMB16,800,000, of which RMB6,800,000 was paid as at 30 June 2024. According to the articles of association, the Group obtained 100% of the equity interest of Shanghai Mori-Biunion Technology Co., Ltd. on 30 June 2024.

(Expressed in Renminbi yuan unless otherwise indicated)

**16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****(a) Financial Assets and Liabilities Measured at Fair Value****(i) 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

	<b>Fair value measurements as at 30 June 2024 categorised ratio</b>			
	<b>Fair value at 30 June 2024 RMB'000</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>
Recurring fair value measurements				
Financial Assets:				
Monetary fund	<b>456,321</b>	—	<b>456,321</b>	—
Unlisted equity securities	<b>12,513</b>	—	—	<b>12,513</b>
Fair value measurements as at 31 December 2023 categorised ratio				
	<b>Fair value at 31 December 2023 RMB'000</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>
Recurring fair value measurements				
Financial Assets:				
Monetary fund	59,149	—	59,149	—
Unlisted equity securities	10,100	—	—	10,100



## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### (a) Financial Assets and Liabilities Measured at Fair Value *(Continued)*

##### (ii) Valuation Techniques and Inputs Used in Level 2 Fair Value Measurements

The fair value of monetary fund in Level 2 is the estimated amount that the Group would receive or pay to transfer the fund at the end of the reporting period, taking into the interest rates signed in the contracts with the bank.

##### (iii) Information about Level 3 Fair Value Measurements

The unlisted equity securities are shares in Lab Direct China Limited and 3DC Inc. Lab Direct China Limited is a company incorporated in Shanghai and engaged in provision of one-stop integrated procurement and supply services for life science industry. 3DC Inc. is a company incorporated in Japan and engaged in development and manufacturing of carbon materials.

Pursuant to the written resolution dated on 6 June 2022, the Group decided to invest RMB10,000,000 to obtain 1.75% equity interest of Lab Direct China Limited. The capital was injected on 5 August 2022. The Group categorized its investment in Lab Direct China Limited as FVPL. On 16 October 2023, Lab Direct China Limited has finished its funding and the Group's shareholding ratio has fallen to 1.52%.

On 16 January 2024, the Group decided to invest JPY49,999,992 (equivalent to RMB2,413,000) to obtain 2.82% shares of 3DC Inc. The capital was injected on 18 January 2024.

The fair value of the investment of Lab Direct China Limited is determined by the backsolve method from recent transaction price as at 31 December 2023. The fair value measurement is positively correlated to volatility and the discount for lack of marketability.

As of 30 June 2024, considering the last equity financing within one year and the operating of 3DC Inc. without any significant change, the fair value of the unlisted equity securities could be measured by the historical cost of investment.

#### (b) Fair Value of Financial Assets and Liabilities Carried at other than Fair Value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 17 COMMITMENTS

#### (a) Capital Commitments

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Authorised but not contracted for acquisition of property, machinery and equipment	<b>111,983</b>	203,906
— Commitments for the joint venture	—	175,656
Contracted for but not provided for acquisition of property, machinery and equipment	<b>261,524</b>	106,728
	<b>373,507</b>	310,634

#### (b) Operating Lease Commitments

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
Within 1 year	<b>26,882</b>	52,354

As at 30 June 2024, the operating lease commitments for related parties are RMB25,887,000 (as at 30 June 2023: RMB51,774,000).

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Name and Relationship with Related Parties

During the six months ended 30 June 2024 and 2023, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Morimatsu Group Co., Ltd. (Prior named as "Morimatsu Holdings Co., Ltd.")	Controlling Shareholder
Morimatsu Holdings Co., Ltd. (Prior named as "Morimatsu Industry Company Limited")	Parent Company
Shanghai Morimatsu Chemical Equipment Co., Ltd.	Fellow subsidiary
Morimatsu Dialog (Malaysia) SDN. BHD.	Joint venture (until 31 December 2023)
Dialog Corporate SDN. BHD.	Company controlled by non-controlling interests (from 1 January 2024)
Dialog Construction SDN. BHD.	Company controlled by non-controlling interests (from 1 January 2024)
Dialog E & C SDN. BHD.	Company controlled by non-controlling interests (from 1 January 2024)
Dialog Fabricators SDN. BHD.	Company controlled by non-controlling interests (from 1 January 2024)
Terumoto Matsuhisa 松久晃基	Members of director and key management personnel
Jungo Hirazawa 平澤準悟	Members of director and key management personnel
Hirota Kawashima 川島宏貴	Members of director and key management personnel
Koei Nishimatsu 西松江英	Members of director and key management personnel
Wei Hua Tang 湯衛華	Members of director and key management personnel
Ye Sheng 盛擘	Members of director and key management personnel

Note: The English translation of the above company names is for reference only. The official names of the companies established in the PRC are in Chinese.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (b) Related Party Transactions

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
<b>Rental expense</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	26,106	27,254
Dialog Fabricators SDN. BHD.	1,381	—
	<b>27,487</b>	27,254
<b>Outsourcing service income</b>		
Morimatsu Holdings Co., Ltd.	181	338
	<b>181</b>	338
<b>Purchase of Product</b>		
Dialog E & C SDN. BHD.	56	—
Morimatsu Dialog*	—	5,093
	<b>56</b>	5,093
<b>Purchase of Service</b>		
Dialog E & C SDN. BHD.	26,323	—
Dialog Corporate SDN. BHD.	96	—
Dialog Construction SDN. BHD.	48	—
	<b>26,467</b>	—

\* Morimatsu Dialog (Malaysia) SDN. BHD. has become the subsidiary of the Group since 1 January 2024.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Related Party Balances

	<b>As at 30 June 2024 RMB'000 (unaudited)</b>	As at 31 December 2023 RMB'000
<b>Amounts due to (trade):</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	<b>69,731</b>	58,905
Dialog Fabricators SDN. BHD.	<b>680</b>	—
Dialog E & C SDN. BHD.	<b>55</b>	—
Dialog Construction SDN. BHD.	<b>10</b>	—
Morimatsu Dialog*	<b>—</b>	1,966
	<b>70,476</b>	60,871
Trade payables	<b>70,476</b>	60,792
Contract liabilities	<b>—</b>	79
	<b>70,476</b>	60,871
<b>Amounts due from (trade):</b>		
Morimatsu Holdings Co., Ltd.	<b>185</b>	247
Morimatsu Dialog*	<b>—</b>	49,459
	<b>185</b>	49,706
Trade debtors net of loss allowance	<b>185</b>	247
Prepayment	<b>—</b>	49,459
	<b>185</b>	49,706

\* Morimatsu Dialog (Malaysia) SDN. BHD. has become the subsidiary of the Group since 1 January 2024.