MORIMATSU

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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 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Matsuhisa Terumoto *(Chairman)*

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

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 *(Chairman)*
Ms. Chan Yuen Sau Kelly
Mr. Matsuhisa Terumoto

NOMINATION COMMITTEE

Mr. Matsuhisa Terumoto *(Chairman)*
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

AUDITOR

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

STOCK CODE

2155

Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Morimatsu International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2024, with an aim to provide a recap of the journey during the past year and an outlook of our development.

2024 was a challenging year for the Group. The complex and variable global economy, together with the persisting weak market demand and volatile international situation, resulted in a difficult environment for the Group. However, leveraging the strong support of the Board and the unity of all management and staff, the Group maintained a positive trend against the prevailing circumstances and achieved satisfying results despite the unfavorable factors, demonstrating the Group's resilience and outstanding capacity under such challenges.

Thanks to the trust and support of each Shareholder, the persistence of the management, as well as the hard work and dedication of all staff, the Group has been able to steadily grow under the challenges. Our executive directors visited oversea customers to gain insight into their future needs, the sales team worked around the clock to actively secure new orders and the project team worked day and night at the sites. The adherence to this "three efforts lead to one success" philosophy has resulted in the Group's results today.

In response to the complex and various operating environment and industry demand, the Group stayed highly alert and vigilant. In the beginning of 2024, the Group formulated a detail action plan to create a scientific reasonable layout of the human resources and hardware capacity by way of precise observation of the market trend. Under the overall shrinking market demand, the Group actively developed its market and industry diversity, avoided over-reliance on any single market, industry or customer to effectively diversify the risks and ensure stable corporate growth.

During the rapid growth in the past few years, the Group continued to be prepared for danger in times of peace and constantly reviewed and adjusted its development strategies. The Group abandoned the traditional philosophy of "capacity determines the income and scale decides the orientation", adhered to the overall improvement of operating efficiency as its core, oriented by a high level of technology and a high level of value-added output and promoted the sustainable high-quality growth of the enterprise. Through detailed analysis of the international economy and industry development trend, the Group adhered to the aforementioned development strategies and adopted a wait-and-see attitude, which in turn maintained a stable operating status amidst the volatile macro-environment.

During the Reporting Period, the Group witnessed the cyclical ups-and-downs of the downstream industry and experienced the gradual decline of industry demand. These challenges further demonstrated the effectiveness of the Group's strategies. The Group upheld downstream industry diversification and effective resources allocation to avoid over-reliance on one single industry, which in turn led to cyclical downfall. The Group upheld market geographical diversification and leveraged on the cyclical differences of industry demand across different countries and regions to infuse the corporate development into the global and diversified market layout. Meanwhile, as a traditional "business to business (B2B)" manufacturing corporation, the Group has understood that our ability to respond to technology innovation and product iteration demand in the downstream industry is crucial to our existence and development. Based on the underlying technology of material synthesis, we have ensured that over 70% of the resources (including human resources and hardware capacity resources) can be shared among departments and business units, which in turn lead to diversified products and services to satisfy different needs of various downstream industries. In addition, the Group invested approximately 20% of process and research and development ("**R&D**") resources (including human resources, laboratory resources and cooperation platforms between universities and research institutions) into new technology development, new product R&D and implementation of new applications of our downstream customers, to deeply participate in these activities and establish our strong customer relationship, creating an unique competitive edge.

During the Reporting Period, the Group's process and R&D team collaborated with downstream customers in many aspects, participated in new product development, project establishment and project feasible study. Meanwhile, the joint R&D platforms with local and oversea universities and research institutions achieved substantial progress among several non-commercialized areas. The Group obtained phased achievement in advanced areas such as green energy, sustainable food and non-metal material synthesis. As the global economy gradually improves, the human society strives for a healthier, more environmental friendly and more intelligent lifestyle, bringing the Group a broader room for development.

During the Reporting Period, the Group's Changshu manufacturing base in Suzhou has commenced production. It is a leading upstream production line for advanced life science products in the Asia-Pacific region and globally. As of today, such manufacturing base has successfully delivered the mega-volume bioreactor and the world's first modular drug conjugate (XDC, a multiple antibody drug conjugate) production equipment in the oversea market. Currently, the Group is actively promoting various advanced production line projects and core equipment projects of multinational leading corporations across different industries. In terms of the life science business unit with unlimited potential, the Group will continue to deploy resources to develop small-scale and desktop products, penetrate into industry chain sectors with higher value, expand standardized products and further solidify the Group's market position.

During the Reporting Period, the expansion of the Group's Malaysia manufacturing base has been progressing well as planned. More and more multinational customers have laid eyes on the Group's oversea manufacturing base and explored the Group's oversea capacity in detail by way of onsite inspection. During the Reporting Period, the Malaysia manufacturing base has delivered many batches of products such as modular plants and core equipment to international customers, covering various downstream industries including chemical, raw materials of power battery and electronic chemical. The hardware and service capability of the Malaysia manufacturing base has been testified by real-life projects and received high recognition from customers. Looking forward, the Malaysia manufacturing base will provide more options for multinational customers. It will also collaborate with the Group's engineering design centers in Singapore and Malaysia to provide more efficient solutions for customers around the globe.

With an aim to become a multinational corporation, the Group strives to establish an international brand and corporate image, fully leverage on its local resources, better serve global branches of multinational corporations, cater to local needs of oversea corporations and broaden the global market. Starting from a foreign trade enterprise 20 years ago and gradually developing into a multinational corporation in every aspect, the Group is transforming from simple and cost-effective output into creating technical and operating values for customers. As the internationalization progresses, the strategic collaboration between the Group and leading multinational corporations in different industries will continue to deepen, creating value for our customers worldwide.

2024 was the year of artificial intelligence ("**AI**"), with its global application and scale beyond imagination. During the Reporting Period, the Group has actively gained access to the leading international AI platforms, empowering all business units and functional departments to embrace the AI era. In terms of new technology R&D, the Group has made full use of the algorithm and bionic functions of the AI platforms to rapidly screen out application scenarios and boost R&D efficiency. In terms of design and engineering, the Group has leveraged on the big data and automatic algorithm of AI platforms to optimize the speed and quality of designs and improve engineering solutions, assisting customers to achieve process and cost optimization. For production management, the Group has established an intelligent and digitalized process management system with an aim to create a fully digitalized twin operation to continuously optimize its production volume, quality, safety and energy consumption by ways of data collection and prediction models. 2024 was the year of AI origin for the Group, which was also the start of the Group's comprehensive intelligence and digitalization.

While constantly upgrading itself, the Group also pays attention to the feedback from Shareholders. The Company shares the benefits of its development with all Shareholders through distributing annual dividends and repurchasing Shares on the secondary market, to enhance Shareholders' confidence.

Looking back to 2024, all members of the Group have been working hard from day to night, hand in hand. As the Chief Executive Officer, I am proud of every single one of them. Under the challenges, all members of the Group have been united in their endeavors to strive for the best operating results with their utmost efforts. I would like to take this opportunity to once again express my heartfelt gratitude to our Shareholders for their unwavering trust. Bearing in mind the expectation and trust from all parties, the Group will continue to maximize Shareholders' interests under the new global operating environment and achieve new goals, transforming the corporation from "high-end equipment manufacturer" to "industry process engineering solution provider" with rapid global delivery capabilities. The Group will establish a new benchmark for digitalization and intelligence and further tap into the unexplored markets.

Nishimatsu Koei
Chief Executive Officer

DIRECTORS

Executive Directors

Mr. Nishimatsu Koei (西松江英), aged 60, of Japanese nationality, was appointed as an executive Director on 1 September 2020. Mr. Nishimatsu is also our chief executive officer responsible for overseeing general management and daily operation of the Group. Mr. Nishimatsu also serves as chairman and general manager of Morimatsu China, chairman of the board of Morimatsu Pharmaceutical, chairman of Morimatsu Heavy Industry and chairman of Morimatsu LifeSciences.

Mr. Nishimatsu has around 34 years of experience in pressure equipment industry. From April 1991 to November 2012, Mr. Nishimatsu served at Morimatsu Holdings. He joined Morimatsu Holdings as an officer of design department (設計部) and was promoted as the executive officer and the head of the overseas department (海外事業部) and was responsible for supervising the business expansion of Morimatsu Pressure Vessel in the PRC market. From March 2017 to March 2021, Mr. Nishimatsu was a director of Morimatsu Holdings but he did not participate in its day-to-day operations. From January 1998 to December 2009, Mr. Nishimatsu served at Morimatsu Pressure Vessel. He joined Morimatsu Pressure Vessel as an officer and was subsequently promoted as the general manager of Morimatsu Pressure Vessel and was responsible for general operation and management of client relationship maintenance. From January 2008 to December 2010, he served as the general manager of Morimatsu Chemical Equipment and was responsible for overseeing its production operations. Since October 2010, Mr. Nishimatsu has served as the general manager of Morimatsu China and is responsible for its daily management operations. Since June 2020, he has served as chairman of Morimatsu China and Morimatsu Heavy Industry. Since September 2021, he has served as chairman of Morimatsu LifeSciences. Since January 2024, he has served as chairman of the board of Morimatsu Pharmaceutical.

Mr. Nishimatsu obtained a bachelor's degree in chemical and mechanical engineering from East China University of Science and Technology (華東理工大學) in the PRC in July 1985. He subsequently obtained a master's degree in business administration from China Europe International Business School (中歐工商學院) in the PRC in July 2002. He was a recipient of the 2018 Magnolia Award (2018年白玉蘭紀念獎) issued by Foreign Affairs Office of the Shanghai Municipal People's Government (上海市人民政府外事辦公室) in September 2018.

Mr. Hirazawa Jungo (平澤準悟), aged 41, of Japanese nationality, was appointed as an executive Director on 1 September 2020. Mr. Hirazawa is also our chief finance officer responsible for overseeing financial planning and control, accounting operations and internal control systems of the Group.

Mr. Hirazawa has around 17 years of experience in accounting, auditing and financial management. From April 2008 to March 2019, Mr. Hirazawa served at Juroku Bank Ltd (株式會社十六銀行) in Japan. He joined Juroku Bank Ltd as an officer and was subsequently promoted to a manager of the inspection department and was responsible for the management of corporate financing and financial compliance. In the periods from October 2014 to October 2017 and from April 2018 to March 2019, Mr. Hirazawa was seconded to Morimatsu Holdings (being the client of Juroku Bank Ltd) and served as an accounting manager and the principal of the chairman's office (董事長室室長), respectively, where he was principally responsible for the accounting, auditing, corporate governance, financial consolidation management and general financial management of Morimatsu Holdings. From April 2019 to June 2020, Mr. Hirazawa worked as a senior finance manager of Morimatsu Holdings and was responsible for overseeing the financial planning, budget management and the general financial management. Since March 2020, Mr. Hirazawa has served as the supervisor of Pharmadule T&S. Since June 2020, he has served as the supervisor of Morimatsu China. Since September 2021, he has served as the supervisor of Morimatsu LifeSciences. Since May 2022, he has served as the director of Morimatsu Houston. Since June 2022, he has served as the director of Morimatsu Holdings. Since January 2023, he has served as the director of Pharmadule Singapore. Since October 2023, he has served as a director of Morimatsu Singapore. Since November 2023, he has served as a director of Morimatsu T&S.

Mr. Hirazawa obtained a bachelor's degree in business and commerce from Keio University (慶應義塾大學) in Japan in March 2008.

Mr. Tang Wei Hua (湯衛華), aged 55, of Chinese nationality, was appointed as an executive Director on 1 September 2020, responsible for overseeing production operations (life science business unit) of the Group. Mr. Tang also holds directorship and the general manager in Morimatsu Pharmaceutical, director and general manager of Morimatsu LifeSciences, chairman of Morimatsu Biotechnology, chairman of Mori-Biounion Technology, director of Pharmadule Singapore and director of Lifesciences Singapore.

Mr. Tang has over 25 years of experience in pressure equipment industry. From July 1991 to May 1999, Mr. Tang worked as a pipeline engineer at Shanghai Petrochemical Installment and Maintenance Co., Ltd (上海石化安裝檢修工程有限公司) and was responsible for pipeline related technology support. In May 1999, Mr. Tang joined Morimatsu Pressure Vessel and has since worked in the Group. From May 1999 to May 2003, he was pipeline engineer (管道工程師) and head of pipeline team (管道組組長) at Morimatsu Pressure Vessel, and was responsible for providing technology support for pressure equipment production. In January 2003, Mr. Tang was appointed as the head of system engineering department (系統工程科科長) of Morimatsu Pharmaceutical and subsequently promoted as the deputy general manager of Morimatsu Pharmaceutical since May 2008 and the general manager of Morimatsu Pharmaceutical since April 2011. Since September 2021, he has served as director and general manager of Morimatsu LifeSciences. Since January 2022, he has served as chairman of Morimatsu Biotechnology. In March 2022, he was elected as a council member by Shanghai Producer Services Promotion Association. Since May 2022, he has served as chairman of Mori-Biounion Technology. He has served as a director of Pharmadule Singapore since July 2023. He has served as the member and the vice chairman of the 8th council of the Shanghai Society of Biotechnology since October 2023. Since December 2023, he has served as a director of Lifesciences Singapore.

Mr. Tang obtained a bachelor's degree in water supply and drainage engineering from the University of South China (南華大學) (formerly known as Hengyang Institute of Technology (衡陽工學院)) in the PRC in June 1991. He subsequently obtained a master's degree in business administration from Fudan University (復旦大學) in the PRC in July 2007. He obtained the qualification of professorate senior engineer specializing in digital technology research and development from Shanghai Municipal Human Resources and Social Security Bureau in August 2023.

Mr. Sheng Ye (盛曄), aged 50, of Chinese nationality, was appointed as an executive Director on 1 September 2020, responsible for overseeing production operations (energy and materials business unit) of the Group. Mr. Sheng also holds directorship and general manager in Morimatsu Heavy Industry, chairman and general manager of Morimatsu Engineering Technology and a director of Morimatsu Singapore.

Mr. Sheng has around 29 years of experience in pressure equipment industry. In October 1996, Mr. Sheng joined Morimatsu Pressure Vessel and has since worked in the Group. From October 1996 to October 2010, Mr. Sheng held various positions in Morimatsu Pressure Vessel, including development engineer (開發工程師), deputy chief of the sales department (銷售部副科長) and deputy head of technology department (技術部副部長), and was responsible for monitoring research and development of customised pressure equipment and overseeing sales and marketing operations. From October 2010 to February 2017, Mr. Sheng served at Morimatsu China. He joined Morimatsu China as a deputy head of technology department (技術部副部長) and was promoted as the head of technology department (技術部部長) and the principal of technology supporting centre (技術支持中心主任). Since October 2018, Mr. Sheng has served as the general manager of Morimatsu Heavy Industry and is responsible for supervising and management of sales, design and manufacture of new materials. Since November 2021, he has served as chairman and general manager of Morimatsu Engineering Technology. From July 2023 to March 2024, he has served as a director and the chief executive officer of Pharmadule Singapore. Since March 2024, he has served as a director of Morimatsu Singapore.

Mr. Sheng obtained a bachelor's degree in chemical engineering equipment and mechanics (化工設備與機械) from East China University of Science and Technology (華東理工大學) in the PRC in July 1996. He subsequently obtained an executive master's degree of business administration from Nankai University (南開大學) in the PRC in July 2012. Mr. Sheng obtained a certificate of senior engineer (高級工程師證書) issued by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2012.

Mr. Kawashima Hirotaka (川島宏貴), aged 54, of Japanese nationality, was appointed as an executive Director on 1 September 2020, responsible for production capacity guarantee and environmental, social and governance issues of the Group. Mr. Kawashima also holds directorship in Morimatsu China, Morimatsu Dialog and Morimatsu T&S, respectively.

Mr. Kawashima has around 29 years of experience in pressure equipment industry. From March 1996 to October 2003, Mr. Kawashima served at Morimatsu Holdings, where he served as an officer of quality control department and was promoted as a manager of overseas department thereof in October 2003. In October 2003, he was designated to serve Morimatsu China and has since served as the head of production department (生產部部長), the principal of the chairman's office (董事長室室長) and vice general manager of Morimatsu China. Since September 2021, he became a director of Morimatsu Dialog. Due to the internal organizational adjustment of Morimatsu China, he no longer served as the head of production department and principal of the chairman's office of Morimatsu China since January 2023. Since December 2023, he has served as a director of Morimatsu T&S.

Mr. Kawashima obtained a bachelor's degree and a master's degree in metallurgical engineering from Iwate University (岩手大學) in Japan in March 1993 and March 1995, respectively. Mr. Kawashima also obtained a master's degree in business administration from China Europe International Business School (中歐工商學院) in the PRC in August 2014.

Non-executive Director

Mr. Matsuhisa Terumoto (松久晃基), aged 61, of Japanese nationality, was appointed as a non-executive Director on 1 September 2020. Mr. Matsuhisa is also the chairman of our Board responsible for supervising the overall strategic planning of the Group but is neither working on a full-time basis with the Group nor otherwise involved in the daily operation and management of the Group. He is one of our Controlling Shareholders. He is also the Chairman of the nomination committee and a member of the audit committee and remuneration committee of our Board.

Mr. Matsuhisa has over 39 years of experience in business operation and corporate management. After graduation in March 1986, Mr. Matsuhisa commenced his career with Morimatsu Holdings. He then served from January 1989 to January 1992, as a chief of corporate planning department (企業經營企劃室長) of Morimatsu Holdings, and from January 1992 to September 1993, as a head of the overseas business department (海外事業部部長) and the director thereof. Mr. Matsuhisa was appointed as the general manager of Morimatsu Pressure Vessel in September 1993 and subsequently as the executive vice president thereof in November 1997. Since August 2013, Mr. Matsuhisa ceased his management position in Morimatsu Pressure Vessel. Mr. Matsuhisa is currently the executive director and chief executive officer of Morimatsu Holdings and holds various positions in the subsidiaries of Morimatsu Holdings (other than the Group).

Mr. Matsuhisa obtained a bachelor's degree in electronics engineering from Waseda University (早稻田大學) in Japan in March 1986.

Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly (陳遠秀), aged 54, of Chinese nationality, was appointed as our independent non-executive Director on 10 February 2021. She is also the chairperson of the audit committee and a member of the remuneration committee of our Board.

Ms. Chan has over 30 years of experience in financial and business management. She obtained a bachelor's degree in accountancy from the City Polytechnic of Hong Kong (香港城市理工學院) (currently known as City University of Hong Kong (香港城市大學)) in 1992. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants ("**ACCA**") and the Hong Kong Institute of Directors. Ms. Chan was previously responsible for management at various multinational corporations, including serving as the chief financial officer at LVMH Moet Hennessy Louis Vuitton Group and Heineken Group. Ms. Chan also served at branches of Deloitte Touche Tohmatsu in Hong Kong and the United States. Ms. Chan is currently the managing director of Peony Consulting Services Limited, a company which is principally engaged in provision of business advisory services.

As at the date of this annual report, Ms. Chan is an independent non-executive director of Aluminum Corporation of China Limited (中國鋁業股份有限公司), the H shares of which are listed on the Stock Exchange (stock code: 2600) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601600), an independent non-executive director of China Merchants Port Holdings Company Limited (招商局港口控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 0144) and an independent non-executive director of Best Mart 360 Holdings Limited (優品360控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 2360).

In October 2020, Ms. Chan was appointed as a Justice of the Peace by the Hong Kong government in recognition of her remarkable public services and contribution to the community. In March 2022, Ms. Chan was awarded with Advocacy Award for the China region by the ACCA in recognition of her relentless support for the accountancy profession. Ms. Chan was the president of ACCA Hong Kong from 2008 to 2009 and was the president of the Association of Women Accountants (Hong Kong) ("**AWAHK**") from 2020 to 2021. She is currently the council member of the AWAHK and the vice chairman of Shenzhen Hong Kong Macau Women Directors Alliance.

Ms. Chan is currently the chairperson of the Employees' Compensation Insurance Levies Management Board of Hong Kong, and a member of the board of the Air Transport Licensing Authority of Hong Kong, the board of the Housing Authority of Hong Kong, the Town Planning Board of Hong Kong, the Environment and Conservation Fund Committee of Hong Kong and the board of United College of the Chinese University of Hong Kong. Ms. Chan was previously a member of the Council of the Chinese University of Hong Kong, the council of the Hong Kong Repertory Theatre, Education Commission of Hong Kong, Quality Education Fund Steering Committee of Hong Kong, Harbourfront Commission of Hong Kong, Advisory Committee on Arts Development of Hong Kong, the board of the Inland Revenue Department of Hong Kong, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of Hong Kong, Hospital Governing Committee of the Buddhist Hospital of Hong Kong, Hospital Governing Committee of the Rehabaid Centre of Hong Kong, the Kowloon Regional Advisory Committee of the Hospital Authority of Hong Kong, Occupational Safety and Health Council of Hong Kong, the board of directors of Ocean Park Hong Kong and the board of Rehabaid Society of Hong Kong.

Mr. Kanno Shinichiro (菅野真一郎), aged 81, of Japanese nationality, was appointed as our independent non-executive Director on 10 February 2021. Mr. Kanno is responsible for supervising the management of the Group and providing independent judgment to our Board. He is also a member of the audit committee and nomination committee of our Board.

Mr. Kanno has over 59 years of experience in the financial and banking industry. From April 1966 to March 2002, Mr. Kanno worked at the Industrial Bank of Japan Ltd ("**IBJ**") and held various positions, including counselor of several branch offices in Japan, manager and the chief representative of the Shanghai branch office, the director and chairman of the Chinese committee (中國委員會), and the executive director and senior counselor of IBJ, and was principally responsible for developing new financial products, analyzing financial policies, and facilitating and monitoring the expansion of the financial services of IBJ in the PRC market. In April 2002, IBJ and two other Japanese banks merged into a new entity, namely, Mizuho Financial Group (株式会社みずほフアイナンシャルグープ) ("**MF**") whose shares are listed on several stock exchanges, including the Tokyo Stock Exchange (stock code: 8411) and the New York Stock Exchange (stock code: MFG), and he then served from April 2002 to August 2002 as the chief executive officer of Mizuho Human Service Ltd., a subsidiary of MF in Japan, and from September 2002 to August 2012 as an advisor of Mizuho Bank Ltd (瑞穗銀行有限公司), a subsidiary of MF in Japan. From September 2012 to March 2023, he served in the Tokyo International University (東京國際大學) as a distinguished professor (formerly referred to as adjunct professor). Since June 2021, he has held the position of supervisor of Toyodenso Co., Ltd. (東洋電裝株式會社, a non-listed company).

Mr. Kanno obtained a bachelor's degree in economics from Yokahama National University (橫濱國立大學) in Japan in March 1966.

Mr. Yu Jianguo (于建國), aged 64, of Chinese nationality, was appointed as an independent non-executive Director on 10 February 2021. Mr. Yu is responsible for supervising and providing independent judgment to our Board. He is also the chairman of the remuneration committee and a member of the nomination committee of our Board.

Mr. Yu has over 30 years of experience in chemical and environmental protection industries. Mr. Yu is a tutor of East China University of Science and Technology (華東理工大學) ("**ECUST**") for doctoral candidates. He had served a number of roles and positions in different departments of ECUST, including the director of its science and technology department (華東理工大學科技處), the director of its national technology transfer centre (華東理工大學國家技術轉移中心), the dean of its college of resources and environmental engineering (華東理工大學資源與環境工程學院), the director of the National Environmental Protection Key Laboratory of Chemical Process Risk Assessment and Control (華東理工大學國家環境保護化工過程風險評價與控制重點實驗室), the vice-president and the dean of its post-graduate school (研究生院) of ECUST. Mr. Yu is also currently the director of the National Salt Lake Resources Comprehensive Utilisation Engineering Technology Research Center of ECUST (華東理工大學國家鹽湖資源綜合利用工程技術研究中心), and the director of the Resource Process Engineering Research Center of the Ministry of Education (教育部資源過程工程研究中心). Academic part-times of Mr. Yu include the deputy director of Inorganic Salt Professional Committee of China Chemical Industry Association (中國化工學會無機鹽專業委員會), and the vice-chairman of Shanghai Chemistry and Chemical Industry Association (上海市化學化工學會). Mr. Yu is also an expert in the field of resources and environment in the "11th Five-Year Plan" period of the National 863 Programme (國家863計劃) and an expert in the subject-matter experts of "12th Five-Year Plan" resources, and a member of the Second Science and Technology Committee of the Ministry of Education (教育部科技委).

As at the date of this annual report, Mr. Yu is a non-executive director of Ganfeng Lithium Group Co., Ltd. (江西贛峰鋰業集團股份有限公司) (stock code: 1772), whose shares are listed on the Stock Exchange.

Mr. Yu obtained a bachelor's degree and a master's degree in inorganic chemical engineering from East China Institute of Chemical Technology (華東化工學院) (being a predecessor of ECUST) in the PRC in July 1982 and in July 1987, respectively. Mr. Yu also obtained a doctor's degree in chemical engineering from ECUST in the PRC in July 1998.

SENIOR MANAGEMENT

Mr. Nishimatsu Koei. Please refer to the paragraphs headed "— Directors — Executive Directors" above in this section for details of biography of Mr. Nishimatsu.

Mr. Hirazawa Jungo. Please refer to the paragraphs headed "— Directors — Executive Directors" above in this section for details of biography of Mr. Hirazawa.

JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap (李凱納), aged 40, was appointed as a joint company secretary of the Company on 25 September 2020. Mr. Lee has over 16 years of experience in the accounting and financial management industry. He is a chartered secretary and a member of both The Hong Kong Chartered Governance Institute ("**HKCGI**") (formerly known as "The Hong Kong Institute of chartered secretaries") and The Chartered Governance Institute ("**CGI**") (formerly known as "The Institute of Chartered Secretaries and Administrators") in the UK. In February 2009, Mr. Lee joined Morimatsu Holdings as a management trainee and was assigned to a job rotation. From February 2009 to July 2010, Mr. Lee served as an accountant of Morimatsu Holdings and was responsible for account management. From July 2010 to June 2016, Mr. Lee was designated as a financial manager of Morimatsu China and was responsible for overseeing financial analysis, feasibility study, accounting and financial compliance. From June 2016 to November 2017, Mr. Lee served as the chief finance officer of Pharmadule Sweden and was responsible for financial planning and financial risk management. From November 2017 to June 2020, Mr. Lee was designated as the financial manager of Morimatsu Holdings and was responsible for collection and reporting of financial and accounting information of our overseas companies to Morimatsu Holdings. Since June 2020, for purpose of the Listing, Mr. Lee was designated back to the Company as a manager and is responsible for management of accounting and compliance matters. Since March 2024, Mr. Lee has served as a director of Morimatsu International Investment Company Limited ("**MII**"). Mr. Lee obtained a dual bachelor's degree in laws and commerce from the University of New South Wales in Australia in August 2007. He subsequently obtained a master's degree in professional accounting and corporate governance from the City University of Hong Kong in Hong Kong in October 2017. Mr. Lee was admitted as a lawyer of the Supreme Court of New South Wales in February 2015 and was also admitted as a certified practising accountant from the Australian Society of Certified Practising Accountants in December 2018.

Ms. Lau Wai Yee (劉惠儀), aged 59, was appointed as a joint company secretary of the Company on 25 September 2020. Ms. Lau is a director of Immanuel Consulting Limited, a licensed company service provider specialising in integrated business and corporate services. Ms. Lau has over 37 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Lau is a chartered secretary and a fellow of both HKCGI and CGI in the UK and fellow of The Hong Kong Institute of Directors. Ms. Lau has been appointed as the company secretary of Shanghai Realway Capital Assets Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 1835) since 13 October 2019.

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the years ended 31 December 2024 is extracted from consolidated financial statements in this Annual Report. The financial information for 2020 and 2021 were restated accordingly due to the completion of acquisition of 100% equity interest in Morimatsu Houston on 28 February 2022.

	For the year ended 31 December				
OPERATING RESULTS	2020 RMB'000 (restated)	2021 RMB'000 (restated)	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Revenue	2,983,045	4,286,222	6,486,277	7,360,262	**6,948,354**
Gross profit	851,169	1,183,583	1,793,386	2,055,704	**2,049,777**
Profit before taxation	341,815	449,143	760,917	984,334	**911,254**
Profit for the year	289,756	381,838	666,182	842,548	**729,881**
Profit/(loss) for the year attributable to					
Equity shareholders of the Company	289,756	381,838	669,266	844,684	**737,241**
Non-controlling interests	—	—	(3,084)	(2,136)	**(7,360)**
	289,756	381,838	666,182	842,548	**729,881**

	As at 31 December				
FINANCIAL POSITION	2020 RMB'000 (restated)	2021 RMB'000 (restated)	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Total assets	3,041,801	5,704,508	7,960,582	8,932,076	**8,908,333**
Total liabilities	2,044,526	3,696,699	5,137,936	4,541,467	**3,632,477**
Net assets	997,275	2,007,809	2,822,646	4,390,609	**5,275,856**
Equity attributable to equity shareholders of the Company	997,275	2,007,809	2,815,730	4,382,491	**5,048,359**
Non-controlling interests	—	—	6,916	8,118	**227,497**
Total equity	997,275	2,007,809	2,822,646	4,390,609	**5,275,856**

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 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

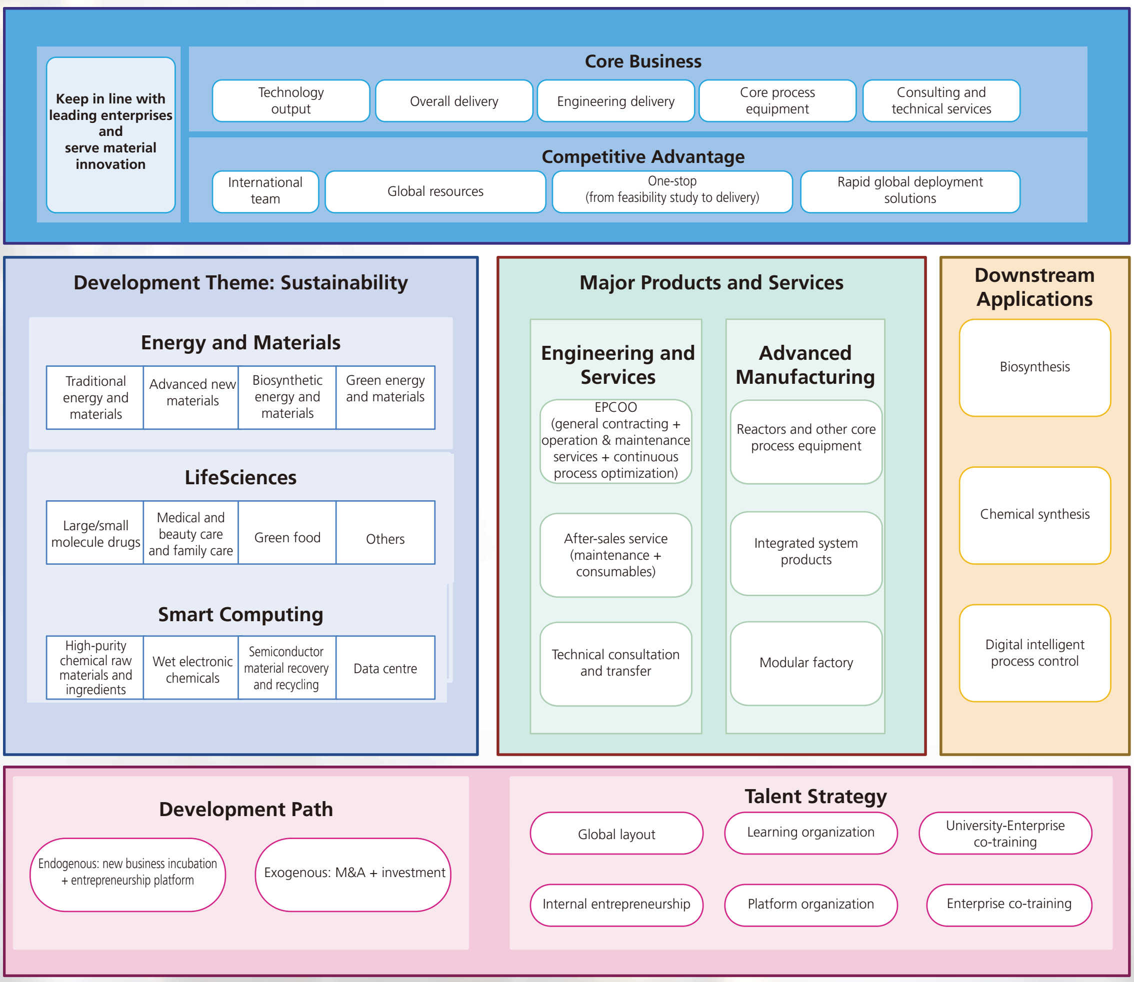
With a people-centered approach that respects talent, we prioritize our customers, strive for mutual success with our partners, pursue excellence, build a strong brand, foster continuous innovation, and seize opportunities.

CORPORATE AND OPERATING STRATEGIES

Corporate Strategy

Illustration for the Corporate Strategy of the Group

Diversification + Globalization + Intelligentization



In general, corporate strategy refers to a thinking approach for entrepreneurs to set growth goals, deploy resources, cultivate talents, design products, and expand markets in the pursuit of sustainable development in accordance with dynamic macro-environmental changes. It also acts as the core value and intrinsic driver that guides enterprises to continuously build and enhance their competitive advantages amid evolving conditions.

The Group remains dedicated to serving multiple industries reliant on new material synthesis, including oil and gas refinery, chemical, raw materials of power battery, electronic chemical, pharmaceutical and biopharmaceutical, family care and other emerging sectors and applications. The Group focuses on the engineering development and application of material synthesis technologies, delivering high-performance reaction equipment and system solutions and integrated solutions based on thermal field and flow field dynamics analysis during chemical and biological reactions.

The Group's core competitive advantage resides in its full leverage of global talent and technological resources to discern technological iterations and product innovation demands across diverse industries. Through business and technical services grounded in integrated solutions — encompassing fixed expenditure cost estimations centered on core equipment and operating cost-oriented economic benefit evaluations — the Group delivers full life cycle services characterized by "industrial technology as the platform, core equipment and integrated engineering solutions as the vehicle, and continuous production process improvement as the objective", enabling deep engagement in downstream industries' innovation and iteration.

The competitive edge of the Group is evolving from "cost advantage" to "value-added advantage" for customers.

Operating Strategy

Moving beyond the traditional pre-sales consultations, equipment production, and after-sales 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, supplies of 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.

Superior product and service quality is fundamental to the Group's survival and the basis of its competitive edge. The Group remains committed to delivering high-quality products and services to customers. Building upon non-standard specifications, the Group provides products and services aligned with customers' demands, which imposes higher requirements on the company itself. Amid cyclical demand fluctuations from downstream industries and multifaceted challenges arising from diversifying technologies, products and services, the Group continues to enhance its management's operational capabilities and employees' service competencies.

Product Strategy — MVP Solutions+

The technologies and products of the Group serve different application stages in downstream industries, including research and development, internal/external project initiation and financing, engineering design, construction, operation, and process improvement. The Group adheres to a market 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 feasibility analysis, 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 — 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).

Additionally, during the Reporting Period, the Group has commenced market deployment of single-use bioreactors tailored for desktop and miniaturized application scenarios, alongside high-efficiency microchannel reactors with wide application in chemical and fine chemical fields. Through these single-use bioreactors, the Group aims to achieve cross-tier penetration within the pharmaceutical sector — advancing from commercial production phases to various clinical phases, while expanding from large-scale production to laboratory and other miniaturized application scenarios. The high-efficiency microchannel reactors deliver more environmentally friendly and efficient chemical production solutions to customers.

Values — Value Empowerment: While providing core equipment-based products to downstream industries and customers, the Group remains committed to developing high value-added integrated products and solutions. The most common applications include process systems deployed in chemical and fine chemical, pharmaceutical and biopharmaceutical, and family care industries. These systems primarily function as integrated systems for process synthesis segments within production lines, incorporating sophisticated mechatronic product platforms and control systems. 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 devices for lithium battery raw materials, large-scale modular products for the oil and gas and chemical industries and integrated solutions for the field of semiconductor high-purity chemical reagents.

Plants — Highly Integrated Systematic Solutions: This is an extreme industrial product that directly aims at customers who intend to commercialize their critical advanced material synthesis technologies and provides one-stop "service + product + service" systematic solutions, covering the entire process from project initiation consultancy, technical/commercial feasibility studies, process route design, engineering design, core equipment delivery, system manufacturing/installation/commissioning/certification, operation and maintenance management to continuous optimization of the process, with optional incorporation of continuous supply arrangements for critical consumables and auxiliary materials.

The one-stop systematic solutions are compatible with regulations and industry standards in multiple countries and maximize 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.

The "service + product" pattern based on integrated engineering solutions can cover the entire life cycle of specific products and technologies and enhance upstream and downstream interconnectivity, thereby maximizing the bonding between the Group and industry/customers, streamlining technical and project interfaces for customers, continuously updating and iterating the Group's products and technologies in response to the continuous innovation needs of its customers, and enabling global promotion of Morimatsu products with controlled technological parameters, cost efficiency, risk mitigation, and operation and maintenance sustainability.

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.

Process Packages and Continuous Service Delivery

A process package generally refers to PDP (i.e. 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 startup (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.

Continuous service delivery refers to the Group's utilization of its aforementioned technological reserves, product reserves and extensive global project experience to provide customers with services transcending specific product formats. Beyond addressing customers' requirements for specific product pricing (procurement budgets), the Group is dedicated to understanding 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 project initiation consultancy, technical/commercial feasibility studies, modular solutions, industrial small test, pilot test and miniaturized solutions, assists customers to achieve the optimal configuration in terms of technological feasibility, commercialization efficiency, operational 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.

Commencing with servicing projects of renowned multinational corporations in China, the Group remains steadfastly committed to delivering technologies, products and services that meet or exceed international industry standards to global industry leaders, innovators at the technological forefront, and rapidly emerging enterprises in regional markets. By serving these customers over a long term, the Group has gained sustained exposure to cutting-edge technologies across industries and real-time demands of different markets. These in-depth and long-term interactions with multinational corporations and industry leaders have driven continuous iterations and enhancements of the Group's products, technologies and services, evolving in tandem with customers to shape industry development trajectories.

UNDERLYING TECHNOLOGIES, INNOVATIVE THINKING AND SUSTAINABLE DEVELOPMENT

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, solid mechanics, material mechanics, etc.), non-destructive testing, computer software, 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.

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.

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 and sustainable aviation fuel),

(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).

DEVELOPMENT PATH — OVERSEAS EXPANSION AND BUSINESS DIVERSIFICATION

Changes in the macro temporal and spatial environment serve as critical factors driving adjustments in corporate business strategies, representing unavoidable variables in corporate development that must be thoroughly and comprehensively considered when formulating development strategy. The Group's development strategy is based on the objective reality of the long-term coexistence of diverse customer demands and market conditions, aiming to mitigate excessive reliance on any single track, market, product, or demand cycle.

In the course of the Group's global operations over the past 30 years, the Group has navigated several pivotal developmental phases: 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.

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 new energy vehicle lithium battery raw material project (modular production equipment).

In 2024, the Group undertook the first overseas mega-volume bioreactor project for artificial meat cultivation.

In 2024, the Group delivered the first overseas drug conjugate (XDC, a multiple antibody drug conjugate) modular production equipment.

In 2024, the Group delivered the world's first biomass green methanol production equipment.

In 2024, the Group's Malaysia manufacturing base delivered the first modular production equipment for raw materials of power battery.

In 2024, the Group signed the first green energy project in South America (green power coupling + biomass synthesis green energy).

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 ("**M&A**").

Since entering the 21st century, the Group has successfully delivered diversified forms of products and services, as well as ongoing tracking and maintenance to customers in different countries. Through diversification of technologies, services and products, the Group has established a stable customer base. Currently, approximately 70% of annual collaborations involve regular customers, comprising three types of enterprises: global multinational enterprises, regional multinational enterprises, and country-specific leading enterprises. The sustained innovation initiatives and capital commitments from the above enterprises, coupled with escalating global deployment demands, have created sustained opportunities for the Group to support the demand for products and technology innovation in various industries, which are serving as a perpetual growth engine for the enterprise.

Deepening its presence in overseas markets, the Group is committed to building itself into a comprehensive multinational enterprise with global operations, R&D capabilities in Europe and the U.S., manufacturing bases in the Asia-Pacific region, and localized service capabilities. By fully integrating technological resources and industry first-mover advantages from developed industrialized regions, the Group aims to transform its global network of branches into efficient solution platforms, pre-and post-sales service platforms, and regional business expansion platforms. 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)	USA	—	technical and project service center
(9)	Mexico	—	engineering and project service center
(10)	Malaysia	—	manufacturing base and project service center

CORPORATE SUSTAINABLE GROWTH AND INVESTMENT STRATEGY

The Group has established sustainable high-quality growth as its strategic objective, targeting the innovation demands of the global synthetic materials industry. It aims to build team resources and operational capabilities to serve markets worldwide. While continuously enhancing hardware production capacity that meets international standards, the Group leverages its global branch network to strengthen talent and technological reserves, deepen and expand existing customer relationships, and proactively plan for downstream industry demands. The Group's global strategy requires not only driving internal growth for large-scale enterprises by improving operational efficiency, elevating customer service capabilities, and extending market reach, but also accelerating external growth through business expansion and increase in the number of product pipeline.

Aiming at high-efficiency external growth, the Group plans to enhance synergy effects for existing business segments while improving competitiveness and market share in vertical fields, and expand corporate existing operational scope and business footprint in horizontal fields through various forms of external investments (including equity investments and M&A). During the Reporting Period, the Group has been seeking enterprises and teams worldwide that align with its development strategy and operational status. There are two main forms of investment strategy for the Group:

(1) Investment strategy targeting new product pipelines: Based on existing customer base (micro-level incremental demand) and market conditions (macro-level existing demand), this strategy pursues equity investments or M&A opportunities with the short-term goals of investing existing production capacities, technologies, teams and market shares; the mid-term goals of extending the Group's current product pipelines; the long-term goals of achieving diversified sustainable development; and the strategic goals of establishing independently operational and sustainable business divisions.

(2) Investment strategy targeting synergies: Focusing on upstream and downstream sectors of the Group's current principal business, this strategy engages in new fields and technological developments within downstream industries through equity investments or M&A. Targeting first-mover advantages, it creates synergies with the Group's existing operations and resources to expand industrial chain depth and breadth. The investment strategy typically prioritizes operational performance improvements, pursuing the objectives of short-term result delivery, mid-term talent cultivation, and long-term team-building.

In addition to the above two investment strategies, during the Reporting Period, the Group also purchased short-term low-risk wealth management products based on the operating cash flow position to enhance the utilization of liquidity.

OPERATING STATUS AND RESPONSE STRATEGIES

The Group experienced adjustment cycles in certain downstream industries during the Reporting Period, with local markets experiencing over-investment in the early stages of key industries, coupled with a sharp contraction in demand from key customers (mostly leaders in various industries). The proportion of the Group's business in these individual markets declined rapidly from approximately 60% in 2021 and 2022 to less than 30% in 2023 and 2024.

During the Reporting Period, the delay in the progress of certain material contracts has resulted in the conversion of previously long-cycle orders into multiple phased orders (by extending the execution cycle of large orders through fragmenting single orders into multiple phased orders). This conversion has led to corresponding deferrals in revenue recognition, causing the Group's first decline in total revenue since its listing.

During the Reporting Period, with major international currencies such as the USD being impacted by the previous interest rate hikes, and geopolitical factors in key markets including Europe and North America being more pronounced than in previous years, the capital expenditure pace across multiple industries in China and the Asia-Pacific region was moderate compared to the pandemic period.

Due to the profound impact the of previous COVID-19 pandemic on the global economy, investment expectations and confidence in various industries were significantly adjusted during the Reporting Period. The decline in global consumer market demand, particularly in the two major consumer markets of China and the U.S., has restricted the development of the international materials industry, leading to a widespread slowdown in investment pace across most industries and noticeable changes in consumption pace. Against the dynamics of the international market, an increasing number of downstream industries and customers have begun actively adjusting their investment pace. Compared with the previous short-sighted, quick return-seeking investment style, current physical investment decision-making demonstrates greater prudence, enhances emphasis on investment pace control, and improves scientific rigor with longer-term perspectives.

In response to the above changing factors, the Group has adopted the following strategies during the Reporting Period:

(1) Establishing the core principle of prioritizing orders. From the chief executive officer through executive directors to the persons in charge of each division, the management at all levels has taken the initiative to go out of the Company and penetrate into the frontline of the market. Through face-to-face customer engagements, the Group has not only precisely captured customers' immediate needs but also gained profound insights into their medium-to-long-term needs. Leveraging an efficient response mechanism, this comprehensive service penetration model ensures all customer demands are addressed with timeliness and appropriateness.

(2) Moving the focus of sales efforts forward for further enhancement of sales effectiveness. This involves abandoning the traditional model that solely emphasized service project cycles and budgets, and instead prioritizing front-end aspects such as service economic benefit forecasting, service project initiation, and service technical feasibility studies. This approach significantly increases the visibility of sales efforts during the pre-project stage and elevates the involvement of the Group's relevant teams in early-stage customer projects, thereby establishing a solid foundation for the successful realization of final orders. Concurrently, the comprehensive and in-depth pre-project services can maximize customer bonding and stabilize customer relationships, providing robust support for the long-term stable development of the Group's business.

(3) Focusing on the international market with priority overseas resource allocation. For existing customers, we provide long-term dedicated services; for prospective customers, we conduct in-depth learning and potential development to achieve early-stage participation in global industrial chain development with multinational enterprises in various industries. This approach capitalizes on the Group's competencies in "customer relationship and first-mover advantage", thereby enhancing industry and market influence.

(4) Controlling domestic workforce scale and hardware development pace and prioritizing overseas capacity expansion initiatives, including the Malaysia manufacturing base and multiple overseas technology and engineering centers. Amid economic downturns, we maintain the stability of gross profit margin while avoiding large-scale workforce restructuring, sustaining and even enhancing operational efficiency through improved per capita economic metrics as assessment indicators. This strategy focuses on blue ocean markets and pursues high-quality development, eschewing traditional capacity-driven expansion models.

MACRO POLICIES AND MARKET OUTLOOK OF KEY DOWNSTREAM INDUSTRIES

Energy and Materials

Global clean energy development is currently in a critical strategic opportunity period, with its development having become a global consensus and trend. Its share within the energy development landscape is projected to continuously increase in the future. Diversified development will characterize clean energy sources including wind, solar, hydro, and biomass energy, while breakthroughs are anticipated in energy storage technology, hydrogen technology, and carbon capture, utilization and storage technology. These advancements will provide robust support for the development of clean energy.

Green Hydrogen, Green Alcohol and Green Ammonia

Under the relevant EU Acts, the shipping industry will be incorporated into the EU Emissions Trading System (EU ETS) from 1 January 2024. All ships of 5,000 gross tonnes or above sailing to or from EU ports are required to report carbon dioxide emissions data and pay corresponding carbon fees for excess emissions beyond the quotas. Multiple shipping conglomerates plan to adopt green methanol as an alternative to conventional heavy fuel oil and low-sulfur marine fuels. According to a report republished by people.cn in April 2024, data from Det Norske Veritas indicates 29 methanol-capable ships are currently operational, with an additional 228 ships on order. As reported by Orient Securities Co., Ltd. in February 2024, decarbonization business director of Maersk China has publicly stated that Maersk will demand 750,000 tonnes of green methanol annually following the 2025 delivery of 18 large-scale methanol-fueled ships, with projected demand escalating to 5 million tonnes by 2030 and 20 million tonnes by 2040. According to Alphaliner data, as of 10 December 2023, Maersk accounted for approximately 14.62% of shipping capacity in the shipping industry. Assuming that Maersk's capacity share in the shipping industry remains unchanged, industry-wide green methanol penetration in 2030 and 2040 aligns with Maersk's, and the share of each company's fuel demand is in line with its share of shipping capacity, it can be estimated that the global demand for green methanol in the shipping industry will be approximately 34 million tonnes and 137 million tonnes in 2030 and 2040, respectively. Therefore, substantial investments in green methanol production capacity will be imperative to meet this exponential demand.

In addition to green methanol, as republished by chinadaily.com.cn in July 2024, the International Energy Agency's Net Zero Emissions by 2050 Roadmap study indicates that global hydrogen energy demand will increase to approximately 528 million tonnes by 2050, with approximately 60% derived from water-electrolytic hydrogen, accounting for approximately 20% of global electricity supply. Concurrently, over 30% of hydrogen will be used to synthesis ammonia and fuels. In the future, ammonia will not only serve as nitrogen fertilizer and chemical raw material but also function as an energy fuel, meeting 45% of global shipping energy demands. Statistical data reveals that China's power enterprises consume over 2 billion tonnes of coal annually. If 10% of this consumption were converted to co-firing with synthetic green ammonia, it would create a demand for more than 200 million tonnes of coal substitution. Calculated by calorific value equivalence, this would require more than 320 million tonnes of green ammonia. However, global ammonia production capacity in 2023 was only around 193.9 million tonnes, far insufficient to meet such massive demand. This indicates that investment in green ammonia projects will hold priority in future energy markets. To secure a pivotal role in global energy transition, domestic green ammonia projects had reached planned production capacity exceeding 11.88 million tonnes by the end of June 2024, with commencement rates surging from approximately 10% at the end of 2023 to approximately 28%, demonstrating the industry's rapid response to green ammonia demand and accelerated capacity construction.

Sustainable Aviation Fuel ("SAF")

According to an article published in January 2024 on the official website of the Biomass Energy Industry Promotion Association (BEIPA) of China Association for the Promotion of Industrial Development, the two primary approaches for emission reduction in the aviation industry are efficiency improvement and clean energy substitution. Efficiency improvement involves optimizing airport management, flight routes, and fleet operations, among other aspects, to reduce unnecessary energy consumption. However, as estimated by the World Economic Forum, this approach contributes no more than 5% to the overall reduction of carbon emissions from aviation. Conversely, according to the emission reduction scenario of the International Air Transport Association ("**IATA**"), SAF is projected to contribute up to 65% of emission reductions in the aviation sector by 2050 under the aviation carbon neutrality scenario. Therefore, clean fuel substitution will be the key direction for achieving zero-carbon transformation in aviation.

According to a report published by Guosen Securities Co., Ltd. in December 2024, the EU adopted the Refuel EU Aviation Regulation in 2023, mandating that fuels used at EU airports must incorporate a 2% SAF blend from 2025 onwards, with a long-term target of achieving a 70% SAF blending ratio by no later than 2050. Europe's SAF consumption demand is conservatively estimated at 1.4 million tonnes in 2025, with projections exceeding 4 million tonnes and 40 million tonnes by 2030 and 2050, respectively. Globally, the report further highlights that, as indicated at the Third Conference on Aviation and Alternative Fuels (CAAF/3) hosted by the International Civil Aviation Organization (ICAO), over 50 airlines had committed by 2023 to increase SAF utilization to 5%-30% of total fuel consumption by 2030, with the majority pledging a minimum threshold of 10%. Based on the above demand projections and the resolution approved at the 77th annual general meeting of the IATA for the global air transport industry to achieve net-zero carbon emissions by 2050, it is estimated that approximately 65% of aviation emission reductions by 2050 will be realized through the adoption of bio-aviation fuels. Consequently, SAF demand is expected to surge from approximately 50,000 tonnes in 2023 to approximately 18 million tonnes (representing approximately 5.2% of total fuel demand) by 2030, ultimately reaching 350 million tonnes (representing approximately 65% of total fuel demand) by 2050 under long-term targets.

The mandatory use of SAF in Europe is encouraging other countries around the world to progressively adopt SAF, which is expected to trigger a surge in SAF consumption. China has accumulated certain technical experience in SAF production. The recent introduction of policies to simplify the procurement process of raw materials for SAF production is poised to accelerate the development and expansion of SAF production capacity and scale.

Raw Materials of Power Battery

As the global energy structure transforms towards clean and low-carbon energy, the lithium battery, as a key technology for electric vehicles (EVs) and energy storage systems (ESSs), will continue to grow in terms of market demand for its raw materials and production equipment, as well as technological innovation.

In China, according to an article published by the official WeChat account of the China Association of Automobile Manufacturers (CAAM) in 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% of the total sales volume of vehicles in China, respectively. According to an article published by the official WeChat account of CAAM on January 2025, the production and sales volume of new energy vehicles in China exceeded 10.00 million units for the first time in 2024, reaching 12.888 million and 12.866 million units respectively, with a year-on-year growth rate of approximately 34.4% and 35.5% respectively. Although the sales volume of new energy vehicles in China has cooled down over the past three years after experiencing explosive growth in 2021, market demand continues to show a rigid rise as evidenced by the steadily increasing share of the market.

According to a report issued by Huatai Securities Co., Ltd. ("**HTSC**") in December 2024, the price of lithium hexafluorophosphate, as a key driver of electrolyte cyclical fluctuations, stabilized in the third quarter of 2024 and showed an upward trend in the fourth quarter of 2024. The report indicates that, with the deceleration of capital expenditure across all segments of the industry chain and the improvement of the supply and demand situation after entering the fourth quarter of 2024, certain segments, such as high compaction lithium iron phosphate and lithium hexafluorophosphate, experienced structural price increases, and corporate profitability rebounded, with the lithium battery index showing excess returns. Following the bottoming out of lithium hexafluorophosphate profitability, the industry's overall production capacity will be relatively tight in the fourth quarter of 2025, which will promote the demand for battery manufacturers to optimize their production lines.

In North America, according to an article reposted by JRJ.com in July 2024, driven by the recent U.S. administrations prioritizing the reshoring of manufacturing as a key economic policy, construction investment in the U.S. manufacturing sector has experienced continuous growth for three consecutive years. Typically, construction investment peaks are followed by equipment investment. The article pointed out that the Inflation Reduction Act passed in the U.S. on 16 August 2022 has spurred 316 new projects in the clean energy sector, particularly in the energy vehicle sector. A total of 145 new projects were announced in the EV sector, with an investment of approximately US$81.3 billion, accounting for more than half of the total investment. This was in line with the rapid growth in construction investment for transportation equipment manufacturing. Encouraged by policies and regulations as well as the benefits of technological collaboration, battery manufacturers from Japan and South Korea, with their strong technical expertise, have continued to build factories and strengthen their supply chains in the U.S. over the past few years, which has generated significant demand for upstream equipment and factory construction.

As a core component of the new energy sector, the lithium battery industry will continue to maintain rapid growth globally over the next 2–3 years. China, being the world's largest manufacturer and consumer of lithium batteries, will continue to dominate this market. The policy trend of new energy vehicles gradually replacing the majority of conventional petrol vehicles remains unchanged around the world, thus providing political support for the growth of the Group.

In order to facilitate the long-term goals of global carbon neutrality and energy conservation and emission reduction, the Group has continued to deliver reliable and efficient reactors and modular reaction equipment in new energy fields such as green energy, SAF, and raw materials of power battery. The Group has conducted one-on-one exclusive optimized design in accordance with customers' own requirements of process and develops a complete chain of preliminary planning, modular design, procurement, and manufacturing. The Group has also expanded its product and service offerings, increased the added value of its products and provided one-stop solutions covering the full life cycle of the project to customers through joint laboratories, field support and resident after-sales service staff for overseas projects as well as other means. During the Reporting Period, the Group delivered the world's first biomass green methanol production equipment to a leading clean technology company in North America. In addition, the Group undertook the first overseas lithium battery raw material project in 2011. Leveraging its first-mover advantage and experience in process, design, and manufacturing in the chemical industry, it has significantly reduced production costs and energy consumption, laying a solid foundation for the delivery of its first set of modular equipment for raw materials of power battery at the Group's newly-established manufacturing base in Malaysia.

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 an article published by the official WeChat account of Valuation House (估值之家) in January 2025, driven by emerging areas such as 5G communications, smart terminals and automotive electronics, the global integrated circuit and display panel industry has maintained a stable growth trend while also driving the continued development of related supporting industries. According to the 2024 Wet Electronic Chemicals Industry Research Report (《2024版濕電子化學品產業研究報告》) published by the China Electronics Materials Industry Association, the market size of the global wet electronic chemicals reached approximately RMB68.402 billion in 2023. Specifically, the market size of wet electronic chemicals used in integrated circuits and display panels accounted for RMB46.200 billion and RMB13.460 billion, respectively, representing approximately 67.54% and 19.68% of the total market share, respectively. The overall market size of the global wet electronic chemicals is estimated to be RMB82.785 billion in 2025, with the segments for integrated circuits and display panels are expected to increase to approximately RMB54.460 billion and RMB15.900 billion, respectively. Both application areas are expected to maintain steady growth in the wet electronic chemicals market.

According to a research report issued by Sealand Securities Co., Ltd. in April 2024, 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 panels, the domestic advanced fabrication lines are mainly supplied by brands such as Korea Dongjin Semichem and Korea ENF. In recent years, leading domestic electronic chemical manufacturers have achieved a breakthrough from 0 to 1 in key technologies that were previously "bottlenecked", with some products now meeting industry standards. These advancements have significantly contributed to the process of localization substitution. The report also points out that, with the rapid expansion of wafer fabrication capacity, continuous improvements in wafer fabrication processes and increasing adoption of advanced packaging technologies, the demand for China's wet electronic chemicals for integrated circuits will continue to grow, with market demand expected to reach 1.3850 million tonnes in 2025.

In order to support the vigorous development of the integrated circuit industry, the Group has successfully delivered the first wet electronic chemical project — a high-purity hydrogen peroxide production device at the end of 2014 with its experience and technology accumulated in the high-end equipment manufacturing industry, and then continued to innovate and develop and focused on deeply exploring the field of wet electronic chemicals production equipment. Backed by a strong technical expert team, including several Japanese industry experts, the Group has repeatedly delivered production equipment that meets the technical requirements of G5 Grade by leveraging on its core technologies, such as mixing and synthesis, purification, fine distillation, and mixing design, to assist customers to achieve extreme requirements for wet electronic chemicals. The modular design and construction can complete necessary engineering steps such as single machine commissioning and water testing before delivery and conduct rapid installation at the customer's site. Under the premise of guaranteeing product quality, it can shorten the customers' cycle of construction, commissioning and trial production and accelerate the output of products that meet the characteristics of the rapid iteration of the integrated circuit manufacturing industry.

LifeSciences

Medical and Beauty Care and 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.

Recombinant collagen is an artificial collagen produced through bioengineering technology. By screening the original amino acid sequence, its performance in terms of purity, skin absorption rate, integrin binding site exposure and safety has been significantly improved. In medical and beauty care, collagen primarily serves consumers in two forms: collagen dressings and collagen implants. Collagen dressings are commonly used after procedures such as laser treatments and chemical peels, providing moisturization, redness relief and skin barrier repair benefits. Collagen implants are primarily used for facial rejuvenation by injecting them into the dermal layer of the skin to achieve lifting, firming, and wrinkle reduction effects.

Nowadays, skin problems such as acne, aging and sensitivity are becoming more prevalent across all age groups due to factors such as irregular lifestyle, environmental pollution, genetics, and lack of skincare awareness. As functional skincare products can effectively alleviate or address symptoms such as stinging, itching, burning, dryness, peeling, bumps, and hives caused by these problems, the market demand for such products has seen explosive growth in recent years.

According to the Recombinant Type III Triple-Helix Collagen Whitepaper (《重組III型三螺旋膠原蛋白白皮書》) jointly published by Frost & Sullivan and Dongguan Everon Healthcare Co., Ltd. in 2024, from 2019 to 2023, the market size of China's collagen functional skincare products in the retail segment increased from approximately RMB3.08 billion to approximately RMB14.43 billion, with a CAGR of approximately 47.1%. It is expected to reach RMB78.97 billion by 2027, with a CAGR of approximately 53.0% from 2023 to 2027. The retail market for China's recombinant collagen-based functional skincare products grew from approximately RMB1.95 billion in 2019 to approximately RMB11.54 billion in 2023, with a CAGR of approximately 55.9%. By 2027, this market is expected to reach approximately RMB66.46 billion, with a CAGR of approximately 54.9%. Additionally, in terms of the penetration rate of recombinant collagen-based functional skincare products in China, the penetration rate of recombinant collagen-based functional skincare products within the collagen-functional skincare products market increased from approximately 63.3% in 2019 to approximately 80.0% in 2023 and is expected to rise to approximately 84.1% by 2027.

The surging demand for collagen-based products will also drive higher requirements from upstream manufacturers in terms of both product quality and quantity. To ensure product uniformity, durability, and minimal loss of bioactivity, optimizing the preparation process can effectively control various variable factors such as temperature, purity, and sealing, thereby addressing challenges in production.

Pharmaceutical and Biopharmaceutical

With the intensification of global population aging, the rising prevalence of chronic diseases, and the widespread increase in health awareness, the demand in the healthcare sector will maintain a growth trajectory in the long term. Demographic changes have led to a significant increase in the demand for medical services and drugs, particularly in the areas of chronic diseases such as cardiovascular diseases, diabetes, and cancer. At the same time, the rapid development of emerging technologies, such as gene therapy, precision medicine, and digital health management, is driving innovation and transformation in the healthcare industry. Additionally, increased emphasis on public health systems globally, especially in the aftermath of the COVID-19 pandemic, has led to increased investments in medical infrastructure and vaccine development by countries worldwide.

According to a research report issued by HTSC in December 2024, the global innovative drug market is valued at over US$1 trillion, which is more than 50 times the size of China's innovative drug market. Since the emergence of China's innovative drugs in 2023, China's innovative drug sector has rapidly captured about 14% of the global BD Transaction share within two years, with its total transaction amount accounting for 30%. China's innovative drugs have become an indispensable part of global pharmaceutical innovation. Based on current trends, HTSC conservatively estimates that, in the long term, China's innovative drugs could contribute approximately 10% to 15% of total global innovative drug revenue and approximately 3.3% to 7.5% of total profit. In terms of profit volume, the potential overseas market is at least 2.50 to 5.63 times larger than the domestic market in China. In the coming years, licensing revenue, profit contribution from innovative drugs and asset revaluation in overseas markets will might become the core drivers of market value growth.

On the policy front, the Biosecurity Act promulgated by the USA has placed significant pressure on China's domestic CXO companies, raising serious concerns among market participants about the overseas operations of leading China-based CXO companies. This has also led to uncertainties in their capital expenditures. However, due to the high degree of irreplaceability of China's domestic CXO companies in overseas markets, the implementation of the Biosecurity Act is less likely in the near future, thereby reducing the associated uncertainties. 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. Additionally, as the global economy officially enters a rate-cutting cycle, the demand for investment and financing in innovative drugs and the upstream CXO industry will recover and be in an upward cycle.

The Group is a pioneer that lays out core equipment and integrated engineering solutions in the biopharmaceutical industry in China and is also the earliest enterprise in China that lays out automation, informatization, intelligence, and digitalization products and services. Thanks to decades of technical accumulation and market promotion, the Group has reached the top international level in terms of product scale, quality, and industry recognition and has successfully exported products such as bioreactors, fermenters, and process system modules to developed countries in Europe and the Americas. Through establishing a first-mover advantage relying on its keen perception in the pharmaceutical area and iterating high value-added products and services at later stages, the Group has successfully established good cooperative relationships with leading global pharmaceutical enterprises and has obtained numerous orders from leading international pharmaceutical enterprises in recent years, among which the first delivery of an overseas drug conjugate modular production equipment represented a milestone development for the Group.

REVIEW OF FINANCIAL DATA

Revenue

The Group's revenue decreased by approximately 5.6% from approximately RMB7,360,262,000 for the year ended 31 December 2023 to approximately RMB6,948,354,000 for the year ended 31 December 2024. Such decrease was mainly due to the short-term slowdown in capital investment in certain sectors, mainly the pharmaceutical industry, as affected by the external environment.

Revenue by end application	As of 31 December 2024 RMB'000	2024 Proportion	2023 RMB'000	2023 Proportion	Increase RMB'000	Year-on-year change
Electronic chemical	**809,215**	**11.6%**	773,299	10.5%	35,916	4.6%
Chemical	**1,683,437**	**24.2%**	1,702,131	23.1%	-18,694	-1.1%
Family care*	**235,067**	**3.4%**	372,720	5.1%	-137,653	-36.9%
Raw materials of power battery#	**1,218,342**	**17.5%**	1,144,442	15.5%	73,900	6.5%
Oil and gas refinery	**629,820**	**9.1%**	971,601	13.2%	-341,781	-35.2%
Pharmaceutical and biopharmaceutical	**1,586,266**	**22.8%**	2,228,092	30.3%	-641,826	-28.8%
Others	**786,207**	**11.4%**	167,977	2.3%	618,230	368.0%
Total	**6,948,354**	**100.0%**	7,360,262	100.0%	-411,908	-5.6%

* Previously known as daily chemical. For better business delineation, this industry has been renamed to family care. The offerings and products under this industry remain unchanged.

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

Cost of Sales

The cost of sales of the Group decreased by approximately 7.7% from approximately RMB5,304,558,000 for the year ended 31 December 2023 to approximately RMB4,898,577,000 for the year ended 31 December 2024. The change in cost of sales was in line with the change in revenue.

	As of 31 December					Year-on-year
	2024		2023		Increase	change
Cost of Sales	**RMB'000**	**Proportion**	RMB'000	Proportion	RMB'000	
Raw materials and consumables	**2,682,724**	**54.8%**	3,258,789	61.4%	-576,065	-17.7%
Direct labour costs	**615,078**	**12.6%**	549,798	10.4%	65,280	11.9%
Outsourcing fees	**619,646**	**12.6%**	645,698	12.2%	-26,052	-4.0%
Installation and repair cost	**546,036**	**11.1%**	531,141	10.0%	14,895	2.8%
Depreciation	**147,663**	**3.0%**	98,259	1.9%	49,404	50.3%
Impairment losses on assets	**11,082**	**0.2%**	743	0.0%	10,339	1,391.5%
Others (indirect labour cost + design fees)	**276,348**	**5.7%**	220,130	4.1%	56,218	25.5%
Total	**4,898,577**	**100.0%**	5,304,558	100.0%	-405,981	-7.7%

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 0.3% from approximately RMB2,055,704,000 for the year ended 31 December 2023 to approximately RMB2,049,777,000 for the year ended 31 December 2024. For the year ended 31 December 2024, the gross profit margin of the Group increased to approximately 29.5%, which was driven by the improvement in overall operating efficiency of the Group and further enhanced control over material costs.

	As of 31 December					Increase of gross profit margin
	2024		2023		Increase of gross profit	
Gross profit by end application	**RMB'000**	**Gross profit margin**	RMB'000	Gross profit margin	RMB'000	
Electronic chemical	**180,797**	**22.3%**	167,900	21.7%	12,897	0.6%
Chemical	**503,635**	**29.9%**	407,950	24.0%	95,685	5.9%
Family care*	**59,283**	**25.2%**	89,441	24.0%	-30,158	1.2%
Raw materials of power battery#	**427,011**	**35.0%**	478,402	41.8%	-51,391	-6.8%
Oil and gas refinery	**219,569**	**34.9%**	216,217	22.3%	3,352	12.6%
Pharmaceutical and biopharmaceutical	**417,446**	**26.3%**	628,997	28.2%	-211,551	-1.9%
Others	**242,036**	**30.8%**	66,797	39.8%	175,239	-9.0%
Total	**2,049,777**	**29.5%**	2,055,704	27.9%	-5,927	1.6%

* Previously known as daily chemical. For better business delineation, this industry has been renamed to family care. The offerings and products under this industry remain unchanged.

Raw materials of power battery include mining and metallurgy industry.

Electronic Chemical

The gross profit of the electronic chemical industry of the Group increased by approximately RMB12,897,000, from approximately RMB167,900,000 for the year ended 31 December 2023 to approximately RMB180,797,000 for the year ended 31 December 2024; the gross profit margin increased from approximately 21.7% for the year ended 31 December 2023 to approximately 22.3% for the year ended 31 December 2024.

Chemical

The gross profit of the chemical industry of the Group increased by approximately RMB95,685,000 from approximately RMB407,950,000 for the year ended 31 December 2023 to approximately RMB503,635,000 for the year ended 31 December 2024; the gross profit margin increased from approximately 24.0% for the year ended 31 December 2023 to approximately 29.9% for the year ended 31 December 2024. The increase in gross profit margin was mainly due to the fact that the Group undertook project orders in certain predominant areas, and the Group maintained bargaining advantage during contract negotiations by leveraging its leading position in technologies and good reputation in the industry.

Family Care

The gross profit of the family care industry of the Group decreased by approximately RMB30,158,000 from approximately RMB89,441,000 for the year ended 31 December 2023 to approximately RMB59,283,000 for the year ended 31 December 2024; the gross profit margin increased from approximately 24.0% for the year ended 31 December 2023 to approximately 25.2% for the year ended 31 December 2024.

Raw Materials of Power Battery

The gross profit of the raw materials of power battery field of the Group decreased by approximately RMB51,391,000, from approximately RMB478,402,000 for the year ended 31 December 2023 to approximately RMB427,011,000 for the year ended 31 December 2024; the gross profit margin decreased from approximately 41.8% for the year ended 31 December 2023 to approximately 35.0% for the year ended 31 December 2024. The decrease in gross profit margin was mainly due to the fact that the Group undertook additional process and technology modifications to improve the energy efficiency of its equipment in the process of implementing projects in new fields, which lengthened the production cycles and increased the operational costs of the projects.

Oil and Gas Refinery

The gross profit of the oil and gas refinery industry of the Group increased by approximately RMB3,352,000, from approximately RMB216,217,000 for the year ended 31 December 2023 to approximately RMB219,569,000 for the year ended 31 December 2024; the gross profit margin increased from approximately 22.3% for the year ended 31 December 2023 to approximately 34.9% for the year ended 31 December 2024. The increase in gross profit margin was mainly due to the fact that certain projects undertaken by the Group achieved good cost control by optimizing its design and the selection of materials.

Pharmaceutical and Biopharmaceutical

The gross profit of the pharmaceutical and biopharmaceutical industry of the Group decreased by approximately RMB221,551,000, from approximately RMB628,997,000 for the year ended 31 December 2023 to approximately RMB417,446,000 for the year ended 31 December 2024; the gross profit margin decreased from approximately 28.2% for the year ended 31 December 2023 to approximately 26.3% for the year ended 31 December 2024. The decrease in gross profit margin was mainly due to the increase in costs of individual projects due to the delay of site construction caused by third parties.

Other Income

Other income of the Group primarily consists of government grants, interest income and foreign exchange gains and losses. Other income of the Group increased by approximately 37.4% from approximately RMB85,462,000 for the year ended 31 December 2023 to approximately RMB117,406,000 for the year ended 31 December 2024. Such increase was mainly due to the increase in net foreign exchange gains as a result of the strengthening of the USD, the Group's main transaction currency.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of the salaries and benefits of its sales and marketing staff, commissions, customer service fees, travel expenses and marketing and promotion expenses. The selling and marketing expenses of the Group decreased by approximately 6.2% from approximately RMB175,228,000 for the year ended 31 December 2023 to approximately RMB164,287,000 for the year ended 31 December 2024, mainly due to the decrease in sales commission paid to third parties following the completion of projects with high commission fees. The decrease was partially offset by the increase in: 1) salary and travelling expenses of personnel due to the expansion of overseas businesses; and 2) promotion expenses for exploring overseas markets. For the year ended 31 December 2024, selling and marketing expenses accounted for approximately 2.4% of total revenue (same period in 2023: 2.4%).

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of the salaries and benefits of management and administrative staff, office expenses and consulting fees. The general and administrative expenses of the Group increased by approximately 4.0% from approximately RMB543,143,000 for the year ended 31 December 2023 to approximately RMB565,118,000 for the year ended 31 December 2024. Such increase was mainly due to the increases in: 1) salaries and benefits of management and administrative staff, travel expenses and consulting fees to support overseas business development; and 2) depreciation expenses as a result of the operational commencement of the Suzhou manufacturing base. The above increase was partially offset by the decrease in share-based payment expenses. The percentage of general and administrative expenses accounted for approximately 8.1% of total revenue for the year ended 31 December 2024 (same period in 2023: 7.4%).

Research and Development Expenses

The Group's research and development expenses decreased by approximately 4.5% from approximately RMB418,149,000 for the year ended 31 December 2023 to approximately RMB399,241,000 for the year ended 31 December 2024. The research and development expenses accounted for approximately 5.7% of total revenue for the year ended 31 December 2024 (same period in 2023: 5.7%).

Finance Costs

The Group's finance costs primarily consist of the interest on lease liabilities and interest on bank borrowings. The Group's finance costs decreased by approximately 21.4% from approximately RMB13,291,000 for the year ended 31 December 2023 to approximately RMB10,448,000 for the year ended 31 December 2024. Such decrease was mainly due to the decrease in interest expenses resulting from partial repayment of bank borrowings and slightly lower interest rates of the bank borrowings during the Reporting Period.

Income Tax Expenses

The Group's income tax expenses increased by approximately 27.9% from approximately RMB141,786,000 for the year ended 31 December 2023 to approximately RMB181,373,000 for the year ended 31 December 2024. The Group derived its profit mainly from two subsidiaries located in China, which enjoy a preferential enterprise income tax rate of 15%. For the year ended 31 December 2024, the Group's effective income tax rate was approximately 19.9%, representing an increase of approximately 5.5% from approximately 14.4% for the year ended 31 December 2023. Such increase was mainly attributable to: 1) provision for withholding income tax expenses as the Company expected to receive dividends from PRC subsidiaries; and 2) provision for income tax expenses arising from the increase in earnings of certain subsidiaries not eligible for the preferential enterprise income tax rate.

Impairment Loss on Trade Receivables and Contract Assets

Impairment loss on trade receivables and contract assets of the Group increased by approximately RMB117,205,000 from a reversal of approximately RMB861,000 for the year ended 31 December 2023 to approximately RMB116,344,000 for the year ended 31 December 2024. The increase was mainly attributable to increased risks on the collection of substantial trade receivables arising from individual projects under the downturn in the external economic environment, for which the Group made a full provision for bad debts as a prudent measure.

Net Profit and Net Profit Margin

Based on the above factors, the Group recorded a net profit of approximately RMB729,881,000 for the year ended 31 December 2024, representing a decrease of approximately 13.4% from approximately RMB842,548,000 for the year ended 31 December 2023. The Group's net profit margin was approximately 10.5% for the year ended 31 December 2024, representing a decrease of approximately 0.9% from approximately 11.4% for the year ended 31 December 2023.

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 and presented in accordance with HKFRS. Shareholders and potential investors of the Group should not view the following adjusted results on a standalone basis or as a substitute for results under HKFRSs, and such non-HKFRS financial measures may not be comparable to similarly titled measures presented by other companies.

EBITDA

For the year ended 31 December 2024, the Group recorded an EBITDA of approximately RMB1,116,488,000, representing a decrease of approximately 2.3% from approximately RMB1,143,066,000 for the year ended 31 December 2023.

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net profit	**729,881**	842,548
Add: Income tax expenses	**181,373**	141,786
Interest expenses	**10,448**	13,291
Depreciation	**173,485**	128,074
Amortization	**21,301**	17,367
EBITDA	**1,116,488**	1,143,066

Property, Plant and Equipment

The property, plant and equipment of the Group increased by approximately 13.9%, from approximately RMB2,105,463,000 as at 31 December 2023 to approximately RMB2,398,082,000 as at 31 December 2024, mainly due to the increase of the Group's investment in plant and equipment at its two manufacturing bases in Suzhou and Malaysia.

Trade and Other Receivables

The Group's trade and other receivables decreased by approximately 10.1%, from approximately RMB1,499,372,000 as at 31 December 2023 to approximately RMB1,347,940,000 as at 31 December 2024, mainly due to: 1) a decrease in trade receivables resulting from reduced revenue; and 2) full provision for bad debts made for certain projects with delayed repayment.

Inventories

The Group's inventories decreased by approximately 55.7%, from approximately RMB1,800,466,000 as at 31 December 2023 to approximately RMB797,243,000 as at 31 December 2024, mainly due to the reduction in work in progress following the completion of delivery of certain large-value orders for which the control was transferred at the point in time during the Reporting Period.

Contract Liabilities

The contract liabilities of the Group decreased by approximately 35.5%, from approximately RMB2,290,334,000 as at 31 December 2023 to approximately RMB1,476,247,000 as at 31 December 2024, mainly due 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.

Borrowings and Gearing Ratio

The total borrowings of the Group decreased by approximately 41.3%, from approximately RMB365,083,000 as at 31 December 2023 to approximately RMB214,185,000 as at 31 December 2024, and the borrowings were mainly used to pay for a portion of the amount required for the construction of projects.

As at 31 December 2024, the Group's borrowings were denominated in RMB and the interest rates of the borrowings ranged from 2.3% to 3.21%, of which approximately RMB87,789,000 were fixed-rate borrowings and approximately RMB126,396,000 were variable-rate borrowings. Among them, approximately RMB87,906,000 will be due within 1 year and approximately RMB126,279,000 will be due after 1 year but within 5 years.

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 4.1% as at 31 December 2024, mainly due to the decrease in the balance of the borrowings of the Group and the increase in reserves arising from earnings.

Liquidity and Capital Resources

As at 31 December 2024, the balance of cash and bank deposits of the Group was approximately RMB2,595,448,000, representing an increase of approximately RMB426,766,000 from approximately RMB2,168,682,000 as at 31 December 2023. Under the premise of ensuring liquidity, the Group purchased short-term wealth management products issued by banks with idle funds, the outstanding amount of which was approximately RMB396,598,000 as at 31 December 2024, representing an increase of approximately RMB337,449,000 from approximately RMB59,149,000 as at 31 December 2023.

The liquidity of the Group mainly includes cash generated from operating activities, net proceeds from the placement and issue of equity securities and the Global Offering, and bank borrowings. The liquidity requirements mainly include 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 31 December 2024, the Group had total bank facilities of RMB2,005,000,000, USD274,500,000, SEK300,000,000 and JPY18,300,000,000 (aggregately equivalent to approximately RMB5,021,230,000), of which, used bank facilities were approximately RMB619,181,000, USD97,329,000, EUR31,667,000, JPY82,000,000, SGD7,798,000 and MYR526,000 (aggregately equivalent to approximately RMB1,603,278,000), and unused bank facilities were equivalent to approximately RMB3,417,952,000.

Charges on Assets

As at 31 December 2024, the Group did not have any assets or rights pledged.

Contingent Liabilities and Guarantees

As at 31 December 2024, the Group did not have any material contingent liabilities or guarantees.

Issue of Equity Securities

During the Reporting Period, 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 Directors believe that the Placing and Subscription will benefit the Group's long-term development, broaden its shareholder and capital base, facilitate future business growth and development, and enhance the liquidity of the Shares. 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 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:

	Net Proceeds from the Subscription actually distributed HK$'000	Net Proceeds from the Subscription actually distributed RMB'000	Distribution of Net Proceeds from the Subscription as a percentage of total Net Proceeds from the Subscription	Unused Net Proceeds from the Subscription as at 31 December 2023 RMB'000	Amounts of the Net Proceeds from the Subscription utilized during the Reporting Period RMB'000	Unused Net Proceeds from the Subscription as at 31 December 2024 RMB'000	Estimated timing for utilizing the remaining Net Proceeds from the Subscription
Construction of Changshu Manufacturing Base	327,335	283,603	50.0%	—	—	—	
Construction of Malaysia Manufacturing Base	261,868	226,883	40.0%	175,656	175,656	—	
Expansion of European Market	32,733	28,360	5.0%	28,360	7,264	21,096	By the end of 2025
General working capital	32,733	28,360	5.0%	—	—	—	
Subtotal	**654,669**	**567,206**	**100.0%**	**204,016**	**182,920**	**21,096**	

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

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 set out in 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 at 31 December 2023 RMB'000	Net Proceeds utilized during the Reporting Period RMB'000	Unused Net Proceeds as at 31 December 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	19,613	2,548	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%	—	—	—	
Subtotal	**686,690**	**571,596**	**100.0%**	**22,161**	**19,613**	**2,548**	

Significant Investments, Acquisitions and Disposals

Pursuant to the supplemental agreement to the joint venture agreement dated January 2024, the two investors of Morimatsu Dialog amended the terms of the joint venture agreement dated August 2021. Since January 2024, the Company has directly retained 51% equity interest 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.

In 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..

In 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 the change for the equity transfer of the Target Company was completed in March 2024, and Morimatsu Engineering Technology holds 100% equity interest in the Target Company.

In March 2024, the Company established a new wholly-owned subsidiary, MII, with a registered capital of HK$10,000, primarily engaged in investment holding.

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

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

In September 2024, the shareholders of Morimatsu Pharmaceutical, a subsidiary of the Company, approved the adoption of a share incentive scheme. Pursuant to the share incentive scheme, Morimatsu Pharmaceutical intends to grant a total of RMB12,868,710 of proposed newly increased registered capital to the incentive participants through capital contribution, representing approximately 14.91% of its total registered capital immediately after completion of the capital contribution. The adoption of the share incentive scheme by Morimatsu Pharmaceutical constitutes a deemed disposal by the Company of approximately 14.91% of its equity interest in Morimatsu Pharmaceutical under the Listing Rules. Morimatsu Pharmaceutical will be a non-wholly owned subsidiary of the Company upon the completion of the deemed disposal. Please refer to the Company's announcements dated 30 September 2024 and 21 October 2024 for further details of the disposal.

In October 2024, the Company established a new non-wholly-owned subsidiary, Morsburn Engineering and Technology LLC ("**MET US**"). The registered capital of MET US is US$2,000, in which the Company indirectly holds 51% equity interest. MET US primarily provides advanced photovoltaic material technologies, production equipment and engineering project services.

During the Reporting Period, the Company completed capital contributions to Morimatsu Dialog of RM110,670,000. After the increase of the registered capital, the share capital of Morimatsu Dialog was RM306,300,000.

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 definitive future plans for material investments or capital asset acquisitions as at 31 December 2024.

Important Events after the Reporting Period

In January 2025, Morimatsu Singapore, a subsidiary of the Company, established a new wholly-owned subsidiary, Morimatsu Engineering & Technology (Malaysia) Sdn. Bhd. ("**MET Malaysia**"). The registered capital of MET Malaysia is RM3,000, and it serves as one of the technology hubs and engineering services centers for Morimatsu's energy materials segment in Southeast Asia. MET Malaysia leverages its geographical advantages and strengths as a talent hub to support the Group's other operational bases, particularly in the Southeast Asian and North American markets.

In February 2025, Morimatsu Biotechnology, a subsidiary of the Company, jointly established a new non-wholly-owned subsidiary, Shanghai MoriSora Technology Co., Ltd. (上海森紘科技有限公司) ("**MoriSora Technology**"), with four independent third parties. The registered capital of MoriSora Technology is RMB12,000,000, in which the Company indirectly holds a 70% equity interest. MoriSora Technology is primarily engaged in the research and development, production and sales of drying equipment, cleaning equipment, sterilization equipment and conveyor systems, as well as providing maintenance, upgrades and validation services for such equipment.

Save as disclosed above, as of the date of this annual report, the Group had no significant events after the Reporting Period.

Directors' Report

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

The Company is a limited liability company incorporated under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 23 July 2019. The Group's principal activities are the design, manufacture, installation and operation and maintenance of core equipment, process system (such as process module) and total solutions (such as modular industrial equipment) mainly for chemical reactions, biological reactions and polymerization. The Group currently provides services to downstream industries/fields, including oil and gas refinery, family care, new chemical materials, pharmaceuticals (including biopharmaceuticals and chemical synthesis drugs), raw materials for power batteries (including metallic ores, raw materials for lithium batteries and intermediate chemical raw materials) and electronic chemicals (including the production of raw materials for photovoltaics and high-purity chemical reagents), etc.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/fully paid-up capital, is set out in note 13 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The section headed "Management Discussion and Analysis" of this annual report provides a review of the business of the Group during the Reporting Period and a discussion of its future business development, and the "Environmental, Social and Governance Report" section contains a discussion and explanation of the Group's environmental (including climate-related) policies and performance, its compliance with relevant laws and regulations that have a significant impact on it, and its relationships with employees, customers, suppliers and other parties during the Reporting Period. These discussions form part of this report of the Directors.

DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report were:

Executive Directors

Mr. Nishimatsu Koei *(Chief Executive Officer)*
Mr. Hirazawa Jungo *(Chief Financial Officer)*
Mr. Tang Weihua
Mr. Sheng Ye
Mr. Kawashima Hirotaka

Non-executive Directors

Mr. Matsuhisa Terumoto *(Chairman)*

Independent Non-executive Directors

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

Other directors of all subsidiaries during the Reporting Period and up to the date of this Directors' Report

Ms. Nishimura Kyoko
Mr. Matsuhisa Hiroyuki
Mr. Sanada Kazuaki
Mr. Kataoka Mitsuhiro
Mr. Lu Weifeng
Mr. Li Hongbin
Mr. Yang Xiaodong
Mr. Lv Binfeng
Mr. Chen Zhangwu
Mr. Jiang Pei
Mr. Gu Zhenghui
Ms. Zhang Haifang
Ms. Zhang Yali
Ms. Xia Wei
Mr. Lu Yi
Mr. Zhang Rengui
Mr. Ma Yong
Mr. Li Daoquan
Mr. He Wenxing
Mr. Chen Hongwei
Mr. Yang Mingzhi
Mr. Lee Kenneth Hoi Nap
Mr. Gausmohmmad Mohmmadaslam Khan
Mr. Hans Wallebring
Mr. Jens Lindgren
Mr. Chan Yew Kai
Ms. Yap Chooi Poh

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, subject to termination before expiry by either party giving not less than three months' notice in writing to the other.

Each of our independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminated by the employer within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During or at the end of the Reporting Period, save as disclosed in this annual report, no transaction, arrangement or contract of significance, to which the Company or its controlling shareholders or any of their respective subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force during the Reporting Period and as at the date of this annual report in accordance with the Articles of Association. The Company has arranged appropriate liability insurance coverage for the Directors and the senior management, which provides appropriate coverage for the Directors and the senior management.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors (including the Chief Executive Officer) are set out below:

Since January 2024, Mr. Nishimatsu Koei, an executive Director and Chief Executive Officer, has served as the chairman of the board of Morimatsu Pharmaceutical.

Since March 2024, Mr. Sheng Ye, an executive Director, has served as a director of Morimatsu Singapore.

The annual fees of the five executive Directors were adjusted to RMB158,400 from July 2024, and the annual fees of the four non-executive Directors were adjusted to RMB198,000 from July 2024.

The Directors (including the Chief Executive Officer) confirmed that during the Reporting Period and up to the date of this report, save as disclosed above, there was no change to any of the information required to be disclosed in relation to any Director (including the Chief Executive Officer) pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, save as disclosed in this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of our Controlling Shareholders has, amongst other matters, irrevocably and unconditionally undertaken with the Company (for itself and as trustee for its subsidiaries) that at any time during the Relevant Period (as defined below), he/it shall, and shall procure that his/its respective close associates (except any members of the Group) shall:

(1) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the core business currently engaged or possibly in the future to be engaged by the Group in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time (the "**Restricted Business**");

(2) not take any action, directly or indirectly, which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of any existing customers, suppliers or employees of the Group for employment by them or their close associates (other than members of the Group);

(3) not, without the prior consent from the Company, make use of any information pertaining to the business of the Group which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;

(4) if there is any project or new business opportunity that relates to the Restricted Business (the "**Business Opportunity**") available to any of the Controlling Shareholders or their close associates (other than members of the Group):

1) notify the Company in writing immediately, followed by the provision of requisite information which is reasonable and necessary for the merits on whether or not to engage in such Business Opportunity be considered, assessed and/or evaluated;

2) who plans to participate or engage in such Business Opportunity, give the Company a first right of refusal to participate or engage therein on terms that are fair and reasonable;

3) not pursue such Business Opportunity until we have confirmed in writing our rejection to pursue, involve or engage in the same because of commercial reasons, any of our decisions on which will have to be approved by the independent non-executive Directors (the "**Independent Board**") (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account, among other issues, (i) the prevailing business, legal, regulatory and contractual landscape of the Group, (ii) results of feasibility study, (iii) counterparty risks, (iv) contemplated profitability, (v) the financial resources required for such Business Opportunity, and (vi) where necessary, any opinion from experts on the commercial viability of the same; and

4) on the condition that the Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (4) above or if the Independent Board fails to respond within 30 days' period, that the principal terms on which the relevant Controlling Shareholder and/or his/its close associates pursues such Business Opportunity are substantially the same as or not more favourable than those disclosed to the Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to the Company and our Directors as soon as practicable;

(5) keep the Board informed of any matter of potential conflicts of interests between each of the Controlling Shareholders (including his/its close associates) and the Group, in particular a transaction between any of the Controlling Shareholders (including his/its close associates) and the Group; and

(6) provide as soon as practicable upon the Company's request to our Directors (including the independent non-executive Directors):

1) a written confirmation on an annual basis in respect of compliance by him/it with the terms of the Deed of Non-competition;

2) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-competition by the independent non-executive Directors with regard to such compliance; and

3) their respective consent to the inclusion of such confirmation in the Company's annual report or by way of an announcement, and all such other information as may be reasonably requested by the Company for its review.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earliest of the following dates on which:

(1) the Controlling Shareholders and their close associates (individually or taken as a whole) cease to own an aggregate of 30% of the then issued share capital of the Company, directly or indirectly, or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control the Board;

(2) the day the Shares of the Company cease to be listed on the Stock Exchange; and

(3) the Company becomes wholly-owned by any of the Controlling Shareholders and/or their respective close associates.

Each of Morimatsu Group, Morimatsu Holdings and Mr. Matsuhisa Terumoto (the "**Covenantors**") has provided a confirmation to the Company regarding their compliance with the Deed of Non-Competition during the Reporting Period. The independent non-executive Directors have reviewed their respective compliance with the Deed of Non-Competition, evaluated its effective implementation and were satisfied with the Covenantors' compliance with the Deed of Non-Competition during the Reporting Period.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration of the Directors will be reviewed by the Remuneration Committee and approved by the Shareholders. In determining the remuneration of the Directors, the relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions will be considered.

During the Reporting Period, details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in notes 7–8 to the consolidated financial statements in this annual report.

None of the Directors has waived or agreed to waive any remuneration during the Reporting Period.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2024, the interests or short positions of the directors, supervisors, chief executives of the Company and their associates in the Shares, the underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 the interests or short positions to be entered in the register required to be kept under Section 352 of the SFO, or the interests and short positions to be notified separately to the Company and the Stock Exchange in accordance with the Model Code 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 31 December 2024[2]
Matsuhisa Terumoto	Beneficial owner[1]	16,810,000	1.38
Nishimatsu Koei	Beneficial owner[1]	2,889,000	0.24
	Beneficial owner	3,899,000	0.32
Kawashima Hirotaka	Beneficial owner[1]	2,376,000	0.19
Hirazawa Jungo	Beneficial owner[1]	2,040,000	0.17
Tang Weihua	Beneficial owner[1]	1,585,000	0.13
	Beneficial owner	2,434,119	0.20
Sheng Ye	Beneficial owner[1]	2,375,309	0.19
	Beneficial owner	1,617,376	0.13

Notes:

1 Interest in the share options granted under the Pre-IPO Share Option Scheme.

2 The calculation is based on the total number of 1,221,583,000 Shares in issue as at 31 December 2024.

As at 31 December 2024, save as disclosed above, none of the Directors, supervisors, chief executives of the Company and their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures 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 pursuant to 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2024, to the knowledge of the Directors and chief executives of the Company, the interests and short positions of substantial Shareholders and other persons (excluding the Directors, supervisors and chief executives of the Company or their respective associates) in the shares and underlying shares of the Company required to be notified to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity/Nature of interests	Number of Shareholdings	Approximate percentage of issued share capital as at 31 December 2024[2]
Morimatsu Holdings	Beneficial owner	750,000,000 (L)[1]	61.40
Morimatsu Group[3]	Interest in a controlled corporation	750,000,000 (L)	61.40
Mr. Matsuhisa Terumoto[4]	Interest in a controlled corporation	750,000,000 (L)	61.40
	Beneficial owner	16,810,000 (L)	1.38

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 1,221,583,000 issued Shares of the Company as at 31 December 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.

To the knowledge of the Directors and chief executives, as at 31 December 2024, save as disclosed above, none of any other person (excluding Directors, supervisors and chief executives of the Company or their respective associates) had interests and short positions in the Shares and underlying Shares of the Company, which were required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept under Section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a total of approximately 4,565 employees, among which nearly 500 were research and development personnel, accounting for more than 10% 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.

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC 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. All contributions to the defined contribution retirement scheme are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. For the defined contribution retirement scheme, no forfeited contributions could be used by employer to reduce the existing level of contributions.

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.

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) Grantees

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

(3) Scheme Limit

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 10.86% of the issued Shares as of the date of this annual report. In any event, the maximum aggregate number of Shares that may be granted to individual employees under the Pre-IPO Share Option Scheme shall not exceed the total number of share options granted to them.

(4) Grant of the share options

As at 31 December 2024, a total of 132,380,000 share options (equivalent to 132,380,000 underlying shares) had been granted to 27 grantees at a consideration of HKD1 under the Pre-IPO Share Option Scheme, representing approximately 10.84% of issued shares of the Company as at 31 December 2024,. As at the beginning and end of the Reporting Period, the number of options available for grant under the Pre-IPO Share Option Scheme was nil.

(5) Subscription price

The subscription price per Share under the Pre-IPO Share Option Scheme is HKD0.0001. The subscription price shall be determined by the Board at its own discretion. In determining the subscription price, the Board takes into account factors such as the purpose of the Pre-IPO Share Option Scheme, and the financial position and valuation of the Group.

(6) 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.

(7) Term

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

(8) 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 and granted share options under the 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 and note 27 to the consolidated financial statements. During the Reporting Period, none of 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:

Grantees	Number of underlying Shares	Number of Shares outstanding as at 1 January 2024	Number of Shares exercised during the Reporting Period	Exercise price (HKD)	Number of Shares lapsed during the Reporting Period	Number of Shares outstanding as at 31 December 2024
Directors						
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
Employees						
Matsuhisa Hideo*	4,200,000	4,199,000	—	0.0001	—	4,199,000
Other 20 employees#	76,855,000	58,800,584	9,106,653	0.0001	—	49,693,931
Total	132,380,000	106,180,893	10,406,653	—	—	95,774,240

* Employees who are associates of the directors of the Company.

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

During the Reporting Period, the number of Shares issued by the Company under the Pre-IPO Share Option Scheme was 24,778,000 Shares, representing approximately 2.03% of the issued shares of the Company as at 31 December 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$4.51.

No further options has 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 annual report, the remaining life of the Pre-IPO Share Option Scheme is approximately six (6) years.

POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme. The specific details set out in the 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 share options to eligible persons (being any Directors or employees (whether full time or part time), consultants or professional advisors who in the sole discretion of the Board has contributed to and/or will contribute to the 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 the 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 by the Company of the Post-IPO Share Option Scheme or any new share option scheme (the "**New Scheme**"), 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 the 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 of the date of this annual report, the maximum aggregate number of shares available for issue under the Post-IPO Share Option Scheme was 100,000,000 Shares, representing 8.20% of the issued Shares as of the date of this annual report. As at the beginning and end of the Reporting Period, the number of options available for grant under the Post-IPO Share Option Scheme was 100,000,000.

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 ordinary resolution of 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) The 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 with 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 with the terms of the Post-IPO Share Option Scheme.

(4) Maximum number of share options granted to any individual

No option shall be granted to any Eligible Persons (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) by the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Post-IPO Share Option Scheme 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 resolution of the Shareholders in 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 the 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 HKD1.00 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 the 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 share options). If the Company proposes to grant share options to a Substantial Shareholder or an independent non-executive Director of the Company or their respective associates which will result in the number and value of Shares issued and to be issued upon 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 HKD5,000,000, such grant shall not be valid unless: (A) a circular containing the details of the 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 (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); and (B) such grant has been approved by the Shareholders in 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 the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the 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 the Company to publish an announcement of its results for any year or half year, or quarterly or any other interim period (whether or not required under the Listing Rules) 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 the 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 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 their vesting, exercise or otherwise) 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 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 the Company prior to the expiry of the option 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 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Post-IPO Share Option Scheme. Subject to earlier termination by the Company in a general meeting, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 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 31 December 2024, no option has been granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme and no option was 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.

As at the date of this annual report, the remaining life of the Post-IPO Share Option Scheme is approximately six (6) years.

RSU SCHEME

The Company adopted the RSU Scheme on 15 December 2021 and granted restricted share units ("**RSUs**") under the RSU Scheme on 5 January 2022. The following is a summary of the principal terms of the RSU Scheme. The specific details are set out in the Company's announcements dated 15 December 2021 and 5 January 2022.

(1) Purposes

The RSU Scheme aims to attract and retain the best available talents, 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. An employee who has been granted an award may, if otherwise eligible, 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 pursuant to the RSU Scheme shall be authorized, but unissued, or reacquired ordinary Shares. The maximum aggregate number of Shares which may be issued pursuant to the RSU Scheme is 30,000,000, representing approximately 2.46% of the issued Shares as of the date of this annual report. In any event, 1) the maximum aggregate number of Shares which may be issued pursuant to the RSU Scheme shall not exceed 10% of the issued shares of the Company (as changed from time to time); and 2) the maximum aggregate number of Shares which may be awarded to an individual Employee under the RSU Scheme shall not exceed 1% of the issued shares of the Company (as changed from time to time).

(6) Grant of the RSUs

As of 31 December 2024, a total of 29,459,700 RSUs (equivalent to 29,459,700 underlying Shares) have been granted to 149 Grantees at nil consideration under the RSU Scheme, representing approximately 2.41% of the issued shares of the Company as at 31 December 2024. The number of RSUs available for grant under the RSU Scheme as of the beginning and end of the Reporting Period is 540,300.

(7) Purchase price

The purchase price for 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 9,819,900 RSUs granted: the RSUs shall vest on 5 January, 2023;

2) in relation to 9,819,900 RSUs granted: the RSUs shall vest on 5 January, 2024;

3) in relation to 9,819,900 RSUs granted: the RSUs shall vest on 5 January, 2025.

(9) Performance targets

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

1) Group level performance:

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

2) Individual level performance:

   The Group has in place a standardised performance appraisal system for its employees to comprehensively evaluate their performance and contribution to the Group. The Company will determine whether the Grantees meet the individual performance target based on their performance appraisal results for the relevant year. In case of partial achievement and satisfaction of the performance targets, the applicable RSUs may be vested in proportion to the performance targets actually achieved for the relevant year.

Change in the RSUs

The Company adopted the RSU Scheme on 15 December 2021 and granted RSUs under the RSU Scheme on 5 January 2022. The specific details of the RSU Scheme are set out in the Company's announcements dated 15 December 2021 and 5 January 2022 and note 27 to the consolidated financial statements in this annual report. During the Reporting Period, no restricted share units were granted under the RSU Scheme, and no restricted share units were canceled. During the Reporting Period, details of the changes in the RSUs granted and the RSUs outstanding under the RSU Scheme are as follows:

Grantees	Number of restricted share units granted on 5 January 2022	Number of restricted share units outstanding as at 1 January 2024	Number of restricted share units vested during the Reporting Period	Purchase Price (HKD)	Number of restricted share units lapsed during the Reporting Period	Number of restricted share units outstanding as at 31 December 2024
149 employees	29,459,700	18,538,200	9,269,100	4.17	0	9,269,100

The closing price in relation to the RSUs before the date of grant was HK$8.51. For the restricted share units vested during the Reporting Period, the weighted average closing price immediately before the dates of vesting was HK$5.13. As of 31 December 2024, the number of Shares issued by the Company under the RSU Scheme was 27,945,000 Shares, representing approximately 2.29% of the issued shares of the Company as at 31 December 2024.

No further restricted share units have been granted under the RSU Scheme during the Reporting Period. Accordingly, the number of Shares that may be issued in respect of restricted share units 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 annual report, the remaining life of the RSU Scheme is approximately two (2) years.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Post-IPO Share Option Scheme" and "RSU Scheme" above, no equity-linked agreements were entered into by the Company, or existed during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of related transactions of the Group during the Reporting Period are set out in note 31 to the consolidated financial statements in this annual report.

Save as the lease payments set out below, which constitute a continuing connected transaction, and the other continuing connected transactions exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, none of these related transactions constituted a connected transaction as defined under the Listing Rules during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

Partially-exempt Continuing Connected Transactions

Lease of Shanghai manufacturing base from Morimatsu Chemical

Morimatsu Chemical is a subsidiary of Morimatsu Seiki, which in turn is a subsidiary of the Controlling Shareholder, Morimatsu Holdings. Accordingly, Morimatsu Chemical is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions with Morimatsu Chemical constitute continuing connected transactions of the Company.

The Group leased the Shanghai manufacturing base, situated at No. 29 Jinwen Road, Zhuqiao Town, Pudong New District, Shanghai, the PRC from Morimatsu Chemical for production and operation. The Company (for itself and on behalf of its subsidiaries) and Morimatsu Chemical entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") on 10 November 2023. For further details of the Property Leasing Framework Agreement, please refer to the announcements of the Company dated 10 November 2023 and 29 December 2023.

Pursuant to the Property Leasing Framework Agreement, relevant subsidiaries of the Group shall enter into individual property lease agreement(s) with Morimatsu Chemical, which prescribe specific terms and conditions, including rental amount, payment method and other relevant terms which shall reflect and be subject to the binding principles, guidelines, and terms and conditions in the Property Leasing Framework Agreement.

The Property Leasing Framework Agreement has a term of 3 years commencing from 1 January 2024 to 31 December 2026 (the "**Target Term**"), including a fixed term of twelve (12) months immediately after 1 January 2024 (the "**First Year**"). If we intend to continue the leasing arrangements for the subsequent period of the Target Term after the First Year (the "**Subsequent Period**"), we will re-negotiate the rents with Morimatsu Chemical within thirty (30) days before the end of the First Year, and enter into new individual property lease agreement(s), which shall be in conformity with the terms and conditions under the Property Leasing Framework Agreement and the annual caps thereunder. Upon expiry of the Target Term, the Property Leasing Framework Agreement may, subject to the requirements of the Listing Rules, be renewed for further period of three years by mutual agreement.

The annual cap of such continuing connected transactions for 2024 was RMB60,000,000. The actual rent (tax inclusive) for 2024 was approximately RMB57,219,000. Set forth below is the actual transaction amounts during the Reporting Period:

Lessee	Lease commencement date	Lease term	Leased area (sq.m.)	Annual rent (RMB/tax inclusive)
Morimatsu China	1 January 2024	1 year	828.32	1,430,144
Morimatsu Heavy Industry	1 January 2024	1 year	31,774.76	32,045,499
Office buildings			6,133.51	
Production workshops			25,641.25	
Morimatsu Pharmaceutical	1 January 2024	1 year	24,148.11	23,743,141
Office buildings			5,110.15	
Production workshops			19,037.96	
Subtotal			56,751.19	57,218,784

During the Reporting Period, save as disclosed above, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The auditors of the Company have reviewed the above continuing connected transactions and have issued a letter to the Board of the Company confirming that, with respect to the above continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have exceeded the annual caps.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's sales to its top five largest customers accounted for approximately 27.6% of the Group's total revenue, of which sales to the largest customer accounted for approximately 9.1% of the Group's total revenue.

During the Reporting Period, the Group's purchases from its top five largest suppliers accounted for approximately 10.6% of the Group's total purchases, of which purchases from the largest supplier accounted for approximately 3.2% of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders (who, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers during the Reporting Period.

RISK MANAGEMENT

The Group recognises 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 around the world. The Group will continue to monitor the external environment, track and oversee changes in the political landscape, and adjust 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 markets and industries, such as conventional energy products and conventional 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.

Trade risks in sanctioned countries/regions

Some of the Group's products were mainly sold and/or delivered on FOB or shipper basis to certain countries/regions subject to International Sanctions, namely, Greece, Turkey, Egypt and Iraq. During the Reporting Period, the Group's revenue from products sold and/or delivered to countries/regions subject to International Sanctions amounted to approximately RMB181 million (2023: approximately RMB1,082 million), representing approximately 2.61% of the Group's total revenue (2023: approximately 14.70%).

The Group did not use the net proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange and would not enter into any transaction, whether directly or indirectly, to finance or facilitate any activities or business with, or for the benefit of, any sanctioned countries/regions or any other governments, individuals or entities sanctioned by the USA, EU, Australia or the United Nations or any activities or business that violated the sanctions imposed by the United States, the European Union, Australia or the United Nations. The Group had not been notified of any International Sanctions that would be imposed on the Group for sales and/or deliveries to the countries/regions subject to International Sanctions for the year ended 31 December 2024, and the Group is not aware of any International Sanctions that would arise if the Group were to sell and/or deliver products to countries/regions subject to International Sanctions. Although the Directors do not expect any material increase in the sales or delivery of the Group's products to these countries/regions, the Group expects to continue to sell and/or deliver its products to those countries/regions subject to International Sanctions.

To monitor its sanctions risks, (1) our Board has established a sanctions oversight committee to manage our exposure to sanctions risks and overseen the implementation of our internal control policies; (2) the Group has opened and maintained separate bank account which is designated for proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange to ensure that we will not breach our undertakings to the Stock Exchange as disclosed in the Prospectus; and (3) the Group has engaged external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk where necessary and has formulated risk management measures and action plans taking into account the advice and recommendations provided by such external legal advisers. On this basis, our Directors are of the view that the Group has an adequate and effective internal control framework to continue to support the Group in identifying and monitoring any material risk relating to International Sanctions laws to protect the interests of the Company and our Shareholders.

RESULTS AND DIVIDENDS

During the Reporting Period, the results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

No shareholder has waived or agreed to waive any dividend during the Reporting Period.

The Board recommends the payment of final dividend of HKD0.15 per Share for the year ended 31 December 2024. Subject to (i) the approval by the Shareholders at the forthcoming Annual General Meeting to be held on Thursday, 26 June 2025, and (ii) the fact that the Directors are satisfied that there are no reasonable grounds for believing that the Company is, or will be immediately following the final dividend is paid, unable to pay its debts as they fall due in the ordinary course of business, the abovementioned final dividend will be paid on Friday, 25 July 2025, to those Shareholders whose names appeared on the Register of Members on Monday, 14 July 2025.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Thursday, 26 June 2025. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 23 June 2025 to Thursday, 26 June 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 June 2025.

For determining the Shareholder's entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 11 July 2025 to Monday, 14 July 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 July 2025.

SHARE CAPITAL

During the Reporting Period, details of movements in the share capital of the Company are set out in note 28 to the consolidated financial statements in this annual report.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 3,666,000 Shares (the "**Share Repurchase**") on the Stock Exchange pursuant to the general mandate granted at the AGM held on 28 June 2023 and 18 June 2024, at an aggregate consideration of HK$16,625,127.30. The Company is of the view that the repurchase of the Shares will enhance the net asset value per share and earnings per share and, therefore, the Share Repurchase is in the best interests of the Company and its Shareholders as a whole. Details of the Share Repurchase are as follows:

Month	Number of repurchased Shares	Price paid per Share		Aggregate consideration
		Highest (HKD)	Lowest (HKD)	(HKD)
April 2024	170,000	4.53	4.30	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
August 2024	560,000	4.02	3.69	2,154,390.90
September 2024	560,000	3.86	3.55	2,061,500.00
October 2024	322,000	4.83	4.63	1,515,877.10
November 2024	344,000	4.40	4.19	1,487,554.00
December 2024	288,000	4.10	3.97	1,166,782.80
Total	3,666,000	—	—	16,625,127.30

During the Reporting Period and up to the date of this annual report, the repurchased Shares were fully cancelled.

During the Reporting Period, save as disclosed above, the Group did not repurchase, sell or redeem of any listed securities of the Company.

RESERVE

During the Reporting Period, details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity and note 28 to the consolidated financial statements in this annual report.

As at 31 December 2024, details of the Company's reserves available for distribution to the Shareholders are set out in note 28 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the relevant laws of Hong Kong where the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued Shares since the listing date and up to the date of this annual report.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, details of bank loans and other borrowings of the Group are set out in note 22 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, details of movements in the property, plant and equipment of the Group are set out in note 10 to the consolidated financial statements in this annual report.

DONATION

During the Reporting Period, the Group made charitable and other donations amounting to approximately RMB2,478,000.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period, a report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Reporting Period, information on the Company's environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

During the Reporting Period, the Group had complied with the applicable environmental laws and regulations in the places where it operates in all material respects. The Group will review its environmental practices from time to time and will consider implementing further environmental-friendly initiatives and practices in the operation of the Group's business to enhance sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Group had complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

MATERIAL LITIGATIONS AND ARBITRATION MATTERS

During the Reporting Period, the Group had no material litigation and arbitration matters.

AUDITOR

The Company appointed KPMG as the auditor of the Company for the Reporting Period. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed for Shareholders' approval at the forthcoming AGM. The Company has not changed the auditor in any of the three preceding years.

On behalf of the Board

Nishimatsu Koei
Chief executive officer and executive Director

Hong Kong, 27 March 2025

The Board is pleased to present the Corporate Governance Report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the governance principles and code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

During the Reporting Period, the Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as its own code of conduct for securities transactions by Directors. During the Reporting Period, having made specific enquiry to all Directors, they have confirmed that they have complied with the required standard set out in the Model Code.

The Company has also established a code of conduct for securities transactions by employees who are likely to be in possession of inside information of the Company (the "**Employees Code**") on terms no less exacting than the Model Code. During the Reporting Period, no incident of non-compliance of the Employees Code by employees was noted by the Company.

THE BOARD

The Board of the Company currently comprises the following Directors:

Executive Directors

Mr. Nishimatsu Koei *(Chief Executive Officer)*
Mr. Hirazawa Jungo *(Chief Financial Officer)*
Mr. Tang Weihua
Mr. Sheng Ye
Mr. Kawashima Hirotaka

Non-Executive Directors

Mr. Matsuhisa Terumoto *(Chairman)*

Independent Non-executive Directors

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

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this annual report.

The Directors have no financial, business, family or other material/relevant relationships with each other.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Board meetings will be held regularly at least four times a year. The chairman of the Board should hold meetings with the independent non-executive directors at least once a year without the presence of other Directors. Board members will be notified of the meeting and provided with all agenda and adequate information for review within a reasonable time prior to the meeting.

Minutes of the Board and Board Committees are kept by Joint Company Secretaries and are available for inspection by the Directors at any reasonable time. Minutes of Board meetings and meetings of Board committees have contained sufficient records in details of the matters considered and decisions made at the meetings, including any concerns raised by Directors or opposing views expressed. Upon the conclusion of the Board meeting, the draft and final version of the meeting minutes will be sent to all Directors within a reasonable period of time, with the draft for the Directors' comments and the final version for their records.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by convening a Board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

The Company shall provide the Board with sufficient resources to perform its duties, and the Board may seek independent professional advice to perform its responsibilities if necessary at the Company's expense.

All Directors are provided with equal opportunity and channel to communicate with the Board and express their opinion and with individual and independent access to the management of the Group to make informed decision.

During the Reporting Period, the Board held four regular meetings in total, with active participation of all Directors either in person or through electronic means of communication. During the Reporting Period, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors. On 18 June 2024, the Company held the AGM. The attendance record of the Directors is as follows:

	Attendance				
Name of Director	**Board Meetings**	**Meetings of Audit Committee**	**Meetings Of Remuneration Committee**	**Meetings Of Nomination Committee**	**AGM**
Mr. Nishimatsu Koei	4/4	N/A	N/A	N/A	1/1
Mr. Hirazawa Jungo	4/4	N/A	N/A	N/A	1/1
Mr. Tang Weihua	4/4	N/A	N/A	N/A	1/1
Mr. Sheng Ye	4/4	N/A	N/A	N/A	1/1
Mr. Kawashima Hirotaka	4/4	N/A	N/A	N/A	1/1
Mr. Matsuhisa Terumoto	4/4	3/3	1/1	1/1	1/1
Ms. Chan Yuen Sau Kelly	4/4	3/3	1/1	N/A	1/1
Mr. Kanno Shinichiro	4/4	2/3	N/A	1/1	1/1
Mr. Yu Jianguo	4/4	N/A	1/1	1/1	0/1

During the Reporting Period, apart from the Board meetings, consents and/or approvals from the Board were obtained by the Company by way of written resolutions on a number of matters/transactions.

RESPONSIBILITIES, ACCOUNTABILITY AND CONTRIBUTIONS OF THE BOARD AND THE MANAGEMENT

The Board is responsible for managing and overseeing the management of the business and affairs of the Group, defining the Group's purpose, values and strategies and ensuring alignment with the Group's culture. The Directors are responsible for making decisions objectively in the interests of the Shareholders as a whole. All Directors act with integrity, make himself/herself as an example, and strive to promote the corporate culture of the Group.

The Board is responsible for making decisions on all major aspects of the Group's affairs, including the approval and monitoring of major policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

All Directors, including non-executive Directors and independent non-executive Directors, practice the concept of acting in accordance with the law, ethics and responsibility, and have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. The Directors shall disclose to the Company details of other offices held by them. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The independent non-executive Directors are responsible for overseeing the Group's corporate actions and operations and exercising effective independent judgment on corporate actions and operations for maintaining a balance within the Board.

All Directors will have full and timely access to all information of the Company and, where appropriate, require to seek independent professional advice to discharge their duties to the Company at the Company's expense.

The Board may delegate its management and administrative functions to the management. In particular, the day-to-day management and operation of the Group had been delegated to the executive Directors and the management team during the Reporting Period. The delegated functions are reviewed by the Board periodically to ensure that they remain appropriate.

The section headed "Management Discussion and Analysis" of this annual report provides a review of the business of the Group during the Reporting Period and a discussion on the Group's future business development, which forms part of this Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman of the Board and the chief executive officer are separate and performed by different individuals. Mr. Matsuhisa Terumoto is the chairman of the Board and Mr. Nishimatsu Koei is the chief executive officer. The chairman of the Board is responsible for guiding and directing the work of the Board and overseeing the overall strategic planning of the Group while the Chief Executive Officer is responsible for overseeing the daily management and operations of the Group. Their respective duties are clearly defined and outlined in writing.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All the Directors are aware of their responsibilities to the Shareholders and are diligent in discharging their duties for the development of the Group. Each newly appointed Director, if any, is given a formal and comprehensive induction upon initial appointment and is subsequently provided with the necessary orientation and professional development to ensure that he or she has a proper understanding of the business and operations of the Group and is fully aware of his or her duties and responsibilities as a Director in accordance with the Listing Rules and relevant laws and regulations.

All Directors are provided with regular updates on the performance, financial position and prospectus of the Company to facilitate the discharge of their duties by the Board as a whole and by each Director. In addition, each Director is also provided with briefings and updates on the latest developments of the Listing Rules and other applicable regulatory requirements to ensure compliance with related requirements and to raise their awareness of good corporate governance practices. According to the code provision C.1.4 of the CG Code, all Directors should participate in appropriate continuing professional development to develop and update their knowledge and skills to ensure that they remain fully informed and their contribution to the Board remains relevant. All Directors are encouraged to attend relevant training courses. During the Reporting Period, directors had participated in continuing professional development and have provided training records to the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S INSURANCE

The Company has arranged appropriate liability insurance coverage for the Directors and the senior management of the Company, which provides appropriate coverage against legal proceedings to which the Directors and the senior management may be exposed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors is engaged on a director's service agreement for a specific term of three years and is renewable by mutual agreement, subject to the provisions of the Articles of Association. As at 31 December 2024, the non-executive Directors have served more than three years.

Pursuant to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors as may be determined by the Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office.

Pursuant to the Articles of Association, subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the AGM.

The retiring Directors shall be eligible for re-election.

COMMITTEES UNDER THE BOARD

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing specific aspects of the Company's affairs.

All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information, oversee the financial reporting system, risk management and internal control systems and perform the corporate governance functions.

The Audit Committee comprises two independent non-executive Directors, namely Ms. Chan Yuen Sau Kelly and Mr. Kanno Shinichiro, and one non-executive Director, namely Mr. Matsuhisa Terumoto. Ms. Chan Yuen Sau Kelly is the chairman of the Audit Committee.

The Audit Committee held three meetings during the Reporting Period to review the 2023 annual results announcement and report and 2024 interim results announcement and report of the Company, and to review significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works.

The attendance records of the members of the Audit Committee are as follows:

Name of members of the Audit Committee	Attendance
Mr. Matsuhisa Terumoto	3/3
Ms. Chan Yuen Sau Kelly	3/3
Mr. Kanno Shinichiro	2/3

REMUNERATION COMMITTEE

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and the senior management of the Group, review the remuneration packages and ensure that none of our Directors determine their own remuneration, and review and/or approve the incentive schemes.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Yu Jianguo and Ms. Chan Yuen Sau Kelly and one non-executive Director, namely Mr. Matsuhisa Terumoto. Mr. Yu Jianguo is the chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the Reporting Period to review the Company's remuneration policy and structure, the remuneration package of all Directors and senior management (adjusting the directors' fee of all Directors for 2024), and make recommendations to the Board.

The attendance records of the members of the Remuneration Committee are as follows:

Name of members of the Remuneration Committee	Attendance
Mr. Matsuhisa Terumoto	1/1
Ms. Chan Yuen Sau Kelly	1/1
Mr. Yu Jianguo	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Policy for Executive Directors and Senior Management

The Group's remuneration policy aims to provide a fair market level of remuneration to attract, retain and motivate high-quality executive Directors, senior management and employees, while aligning the rewards with Shareholders' interests at the same time.

The principles of the remuneration policy are as follows:

(1) Remuneration packages and structures shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

Components	Determining Factors
Fixed compensation	
Base salary and allowances	Market benchmarks relevant to role and job scope Company performance Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share, achievement of key strategic initiatives, etc.)
Variable compensation	
Performance bonus	Company performance Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share, achievement of key strategic initiatives, etc.)
Share options	Company performance

(2) Remuneration packages shall be set at levels that ensure comparability and competitiveness with similar companies. Independent professional advice is to be sought where appropriate.

(3) Remuneration and employment conditions of other employees in the Group shall be taken into account.

(4) The remuneration policy for executive Directors and senior management shall be reviewed regularly.

Remuneration Policy for Non-Executive Directors

Key elements for determining the remuneration policy for non-executive Directors include the following:

(1) Remuneration shall be set at an appropriate level to attract and retain first-class talents for non-executive Directors.

(2) Remuneration shall be set at a level proportional to their commitment and contribution to the Company.

(3) Remuneration practices for non-executive Directors shall be consistent with recognized best practice standards.

(4) Remuneration shall be paid on an annual basis.

(5) No equity interest remuneration with any performance-related element shall be given to independent non-executive Directors.

Remuneration Level of Directors and Senior Management

Details of the remuneration of the Directors for the Reporting Period are set out in note 7 to the consolidated financial statements.

During the Reporting Period, the remuneration of the senior management, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, fell within the following bands:

Senior management	Remuneration band (RMB)	Number of people
Nishimatsu Koei	12,000,000 to 12,500,000	1
Hirazawa Jungo	2,000,000 to 2,500,000	1

NOMINATION COMMITTEE

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee comprises two independent non-executive Directors, Mr. Kanno Shinichiro and Mr. Yu Jianguo and one non-executive Director, Mr. Matsuhisa Terumoto. Mr. Matsuhisa Terumoto is the chairman of the Nomination Committee.

The Nomination Committee held one meeting during the Reporting Period to review the structure, size, composition of the Board and the Board diversity policy, assess the independence of the Board and independent non-executive Directors, and also make recommendations to the Board on the re-election of Directors.

The attendance records of the members of the Nomination Committee are as follows:

Name of members of the Nomination Committee	Attendance
Mr. Matsuhisa Terumoto	1/1
Mr. Kanno Shinichiro	1/1
Mr. Yu Jianguo	1/1

NOMINATION POLICY

The Board has adopted a nomination policy.

Purpose

(1) The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

(2) The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

(3) The Nomination Committee shall ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Selection Criteria

(1) The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

1） character and integrity;

2） qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

3） accomplishment and experience business from time to time conducted, engaged in or invested in by any member of the Group;

4） commitment in respect of available time and relevant interest;

5） requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

6） the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

7） such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

(2) Rigorous review is applied to assessing the continuing independence of Directors having served for over 9 consecutive years, with attention to ensuring that they remain independent in character and judgment, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board.

(3) Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as Directors and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

(4) The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedures

(1) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(2) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in paragraph Selection Criteria (1) to determine whether such candidate is qualified for directorship.

(3) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(4) The Nomination Committee shall then recommend to appoint the appropriate candidate for directorship. The Board shall have the ultimate responsibility for selection and appointment of Directors.

(5) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company pursuant to its constitutional documents, the Nomination Committee shall evaluate such candidate based on the criteria as set out in paragraph Selection Criteria (1) to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Directors at General Meetings

(1) The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

(2) The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in paragraph Selection Criteria (1).

(3) The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at general meetings.

Succession Planning

The Board recognises the importance of having continuity in the management of the Company, and managers with appropriate skills and experience to support the delivery of the Group's strategic priorities. Succession planning is a regular Board agenda item and considered by the Board annually.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diverse perspectives of the Board that are relevant to the business growth to support the execution of business strategies.

Purpose

The purpose of the policy is to set out our approach to board diversity.

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

The Nomination Committee will annually discuss and agree on measurable objectives for the implementation of board diversity and make recommendations to the Board for adoption.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

Monitoring and Reporting

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of the policy. The Nominating Committee is responsible for ensuring diversity on the Board. The Nomination Committee will review the policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board comprises nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experiences, including business management, quality control, administration and management, manufacture and research and development of pressure vessels and finance, auditing and accounting experiences. The Board members also obtained degrees in various majors including business administration, chemical and mechanical engineering, metallurgical engineering, water supply and drainage engineering, electronics engineering and business and commerce. Furthermore, the ages of the Directors range from 40 years old to 85 years old.

While the Company recognises that gender diversity at our Board level can be improved given one out of nine of our Directors is female, the Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole, and the Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. The Company will strive to achieve gender balance of the Board through certain measures to be implemented by our Nomination Committee in accordance with the board diversity policy. In particular, taking into account the business needs of the Group and changing circumstances from time to time that may affect the Group's business plans, the Company will actively identify female individuals suitably qualified to become the Board members and the Company aims to achieve a target of 20% female representation in the Board, during the period of which we are listed on the Stock Exchange. To further ensure gender diversity of the Board in a long run, the Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become the Board members, which will be reviewed by our Nomination Committee quarterly in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board of the Company.

Taking into account the background of the Directors and other related information, the Nomination Committee is of the view that such policies are effective and adequate. During the Reporting Period, the composition of the Board is diversified.

The Company is also committed to adopting similar approach above to promote diversity of all staff of the Group (including but not limited to the senior management) to enhance the effectiveness of our corporate governance. The Group is mainly engaged in design, manufacture, installation and operation and maintenance. Due to the nature of the industry, most of the Group's employees are male. The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the growth of the Group's business and also strives to ensure that recruitment and selection practices at all levels (from the Board down) are properly structured so that a diverse range of candidates is considered. As at 31 December 2024, the ratio of male and female employees of the Group is about 4:1, details of related data are set out in the section headed "Environmental, Social and Governance Report". Due to the nature of the industry and the relevant labour supply market, the Group tends to employ more male employees than female employees. The Company is committed to maintaining a balance of male and female employees, and has implemented a fair employment policy. The Company will regularly assess its employment policy to ensure merit-based and diverse recruitment of employees in order to narrow the gender gap in the workforce.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his or her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BOARD INDEPENDENCE POLICY

The Board has adopted a board independence policy (the "**Policy**"), which is intended to set out the principles for maintaining the independence of the Board.

The Structure, Size and Composition of the Board

The Board consists of executive Directors, non-executive Directors and independent non-executive Directors. In order to ensure that the Board can obtain independent opinions, the number of independent non-executive Directors in the Board shall not be less than one-third of the total number of Directors and shall not be less than three.

There are three standing director committees under the Board, namely the Nomination Committee, the Remuneration Committee and the Audit Committee. In order to ensure that the Board can obtain independent opinions, the three standing committees under the Board are all composed of non-executive Directors and independent non-executive Directors, and most of the members are independent non-executive Directors.

Independence Criteria for Assessing Independent Non-Executive Directors

(1) The general principle for assessing the independence of an independent non-executive Director is: the Director shall not have any material or substantial interest relationship with the Group, the management of the Group or the Controlling Shareholder of the Group. The independence of a Director may be more likely to be doubted if there is any of the following circumstances in relation to the Director.

1) Equity relationship:

The Director holds more than 1% of the issued Shares of the Company;

2) Professional service relationship:

   A. The Director is currently, or within the two years prior to the month when its independence was assessed, has been a current or former employee, partner, director or principal of a consulting company that provides professional services (including auditing services) that have a significant impact on operations to the Company or its core related persons;

   B. A family member of the Director is currently, or within the two years prior to the month when its independence was assessed, has been a current or former partner, director or principal of a consulting company that provides professional services (including auditing services) that have a significant impact on operations to the Company or its core related persons;

   C. A family member of the Director is the employee of the auditors engaged by the Company and is currently personally involved in providing audit services to the Company;

   D. During the two financial years preceding the year in which the Director's independence was assessed, the Director or his/her family member was an employee, partner or director of the auditors providing auditing services to the Company and personally involved in providing audit services to the Company;

3) Business relationship:

   A. The Director has or, within one year before the date of his proposed appointment as an independent non-executive Director, has had a material interest in any major business activities of the Company and its major subsidiaries (branches); or is involved in or has ever been involved in a major commercial transaction with the Company or its core related persons;

   B. The Director serves on the Board for the purpose of protecting an entity whose interests differ from those of the Company's shareholders as a whole;

4) Employment and remuneration relationships:

   A. The Director is (or has been within two years preceding the date on which he is proposed to be appointed as a director) an executive officer or director (other than an independent non-executive director) of the Company or its core related persons;

   B. The Director is financially dependent on the Company or its core related persons.

5) Serving as directorship of each other's company or other related relationships:

   The Director and other Directors hold mutual directorships in the each other's company, or has a significant connection with other Directors through participation in other companies or groups. If the Board still considers such Director to be independent under such circumstance, the relevant reasons should be stated in the Corporate Governance Report.

(2) When assessing the independence of independent non-executive Directors, the Company should also refer to the relevant guidelines in Rule 3.13 of the Listing Rules to make judgments.

Requirements for Serving as an Independent Non-executive Directors

(1) An independent non-executive Director should meet the following basic requirements:

1) has the qualifications to serve as directors of listed companies according to the Listing Rules and other relevant regulations;

2) has the independence required by this policy;

3) possesses basic knowledge of the operation of listed companies, and is familiar with the Listing Rules, relevant laws, administrative regulations, rules and regulations;

4) has more than five years of legal, economic or other work experience necessary to perform the duties of an independent non-executive director;

5) other conditions stipulated by laws and regulations and the Articles of Association.

(2) Where an independent non-executive Director will be serving as a director of a seventh (or more) listed company, the Board will need to explain to the Shareholders why it believes that the person can still devote sufficient time to fulfilling his/her responsibilities as a director.

(3) If an independent non-executive Director fails to attend the Board meeting in person for three consecutive times, the Board shall request the general meeting to dismiss and replace him/her.

(4) Before the expiration of the term of an independent non-executive Director, the Company may remove him/her through statutory procedures. In case of early removal, the Company shall disclose it as a special disclosure.

(5) The Company shall not give any equity-based remuneration with a performance-related element to the independent non-executive Directors.

Requirements for the Term of Independent Non-Executive Directors

When an independent non-executive Director who has been re-elected for more than nine consecutive years remains independent and shall be re-elected, the factors considered, the procedures and the discussions of the Board or the Nomination Committee shall be additionally disclosed by the Company.

If an independent non-executive director has been in office for more than nine years, his/her re-appointment shall be reviewed and approved by Shareholders in the form of an independent resolution. The Company shall state in the document accompanying the resolution issued to Shareholders why the Board (or Nomination Committee) believes that the Director is still independent and shall be re-elected, including the factors considered, the process of the Board (or Nomination Committee) for making this decision and what was discussed.

If all independent non-executive Directors of the Company are independent non-executive Directors who have served for more than nine consecutive years, new independent non-executive Directors shall be appointed by the Company and the names and tenure shall be disclosed for each of such independent non-executive Directors who have served for more than nine consecutive years in the circular to shareholders.

The Board shall review the independence of Directors annually to ensure that the Directors are not involved in any business or other relationships that may affect their independent judgment. The Board shall review the composition of the Board, and the background, skills, experience and the understanding, knowledge and insight of the business of each executive and non-executive Director on the Board every year according to the requirements of business and strategy, and reviews the effectiveness of the relevant composition to ensure that the Board has a high degree of independence. The Board believes that the Policy is effective and adequate, and the Board had maintained its independence during the Reporting Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or circumstances that may significantly affect the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category	Fees paid/ payable RMB'000
Audit services	4,200
Non-audit services	20
Total	4,220

JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap and Ms. Lau Wai Yee are the joint company secretaries of the Company. Biographical details of the joint company secretaries are set out in the section headed "Directors and Senior Management" of this annual report.

Mr. Lee is a full-time employee of the Group and has day-to-day knowledge of the Group's affairs. Ms. Lau is a director of Immanuel Consulting Limited, a licensed trust and corporate services provider specialising in integrated business and corporate services. The primary contact person of Ms. Lau in the Company is Mr. Lu Weifeng, the person in charge of the securities office of the Company.

During the Reporting Period, the joint company secretaries attended sufficient professional training as required under Rule 3.29 of the Listing Rules to update their skills and knowledge.

INVESTOR RELATIONS AND SHAREHOLDERS' ENGAGEMENT

No amendments were made by the Company to the Articles of Association during the Reporting Period. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Shareholder Communication Policy

The Company believes that the effective communication with Shareholders is essential to enhance investor relations and deepen investors' understanding of the Group's business performance and strategies. In order to facilitate effective communication, the Company has adopted a Shareholder Communication Policy aiming to establish the mutual relationship and communication between the Company and Shareholders.

(1) Purpose

The Shareholder communication policy is intended to set out provisions aimed at ensuring Shareholders' equal and timely access to corporate information, enabling Shareholders to exercise their rights in an informed manner and allowing them to actively participate in the Company's operations.

(2) General policy

1) The Board will maintain an ongoing dialogue with Shareholders and periodically review the policy to ensure its effectiveness.

2) Information will be communicated to Shareholders through the Company's financial reports, annual and other general meetings that may be held, and disclosures filed with the Stock Exchange.

3) Effective and timely communication of information to Shareholders should be ensured at all times. Any questions related to this policy will be referred to the Company Secretary of the Company.

(3) Communication strategy

1) Shareholder inquiries

A. The Board will maintain an ongoing dialogue with Shareholders and periodically review this policy to ensure its effectiveness.

B. Shareholders may request corporate information at any time as long as such information is publicly available.

C. Shareholders shall be provided with a designated contact person, e-mail address and the Company's inquiry telephone number to enable them to raise any inquiries related to the Company.

2) *Corporate communication*

Corporate communication means any document issued or to be issued by the Company for Shareholder's information or actions, but is not limited to Directors' reports and annual accounts together with auditors' reports, interim reports, notices of meetings, circulars and proxy forms.

A. Corporate communications should be drawn up in plain language that can be easily understood by Shareholders and be provided to Shareholders in Chinese and English. Shareholders have the right to choose the language (English or Chinese) or the method for receiving corporate communications (hard copy or in electronic form).

B. Shareholders are encouraged to provide the Company with, among other things, their e-mail addresses to facilitate timely and efficient communication.

3) *Company website*

A. A dedicated investor relations section is available on the Company's website at www.morimatsu-online.com. Information on the Company's website is regularly updated.

B. Information released by the Company to the Stock Exchange is also published on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and related explanatory documents.

C. All presentations provided in connection with the annual general meetings and the annual results announcement should be available on the Company's website.

D. All press releases and Shareholder communications shall be available on the Company's website.

4) *General meetings*

A. Shareholders are encouraged to attend general meetings or, if they are unable to attend, to appoint proxies to attend and vote on their behalf.

B. Proper arrangements shall be made for annual general meetings to encourage Shareholders' participation.

C. The process of the Company's general meetings will be monitored and reviewed regularly, and if necessary, appropriate changes will be made to ensure that the needs of Shareholders are best served.

D. Members of the Board, in particular, the chairmen of the Board committees or their representatives, relevant senior management and external auditors will attend annual general meetings to answer Shareholders' questions.

E. Shareholders are encouraged to participate in Shareholder activities organized by the Company, and information about the Company, including the latest strategic plans, products and services, will be exchanged at the activities.

(4) Shareholder privacy

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, except as required by law.

During the Reporting Period, the main channels for the Company to convey information to Shareholders and investors were the Company's financial reports (interim and annual reports), announcements, circulars and other corporate communications available for inspection on the Company's website at www.morimatsu-online.com and the HKExnews website at www.hkexnews.hk, as well as the direct communication platforms provided at annual general meetings. Meanwhile, the Company organizes various activities as needed, including holding briefing sessions for investors/analysts and individual meetings with them, media interviews and investor promotion activities, to promote the communication between the Company and Shareholders and investors. Directors and employees of the Company will comply with the relevant disclosure responsibilities and requirements of the Listing Rules whenever they contact or communicate with investors, analysts, the media or other relevant external parties. The Board believes that during the Reporting Period, the Company continued to maintain dialogue with Shareholders and investors, and the Company has ensured the effectiveness of the implementation of the shareholder communication policy, and will regularly review the shareholder communication policy to ensure its continued effectiveness.

Shareholders' Rights

Shareholders are encouraged to attend the general meetings of the Company. To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue, including the election of individual Directors, at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening Extraordinary General Meeting and Putting Forward Proposals

In accordance with the Articles of Association, a shareholder (holding at the date of the requisition not less than 5% of the total voting rights of the Company entitled to vote at a general meeting) may request the Board to call a general meeting of the Company, which the Board must convene such meeting within 21 days of the requisition and within 28 days of the date on which notice of the general meeting is given. Such request must state the general nature of the business to be transacted at the meeting and may include the text of resolutions that may be properly proposed and intended to be proposed at the meeting. Such request may be sent to the Company in paper or electronic form and must be authenticated by the person making the request. If the Board fails to convene a general meeting within the prescribed time, the person making the requisition or the Shareholders representing more than half of the total voting rights of all Shareholders may convene a general meeting by themselves in the same manner, as nearly as possible, as that in which that meeting is required to be called by the Directors, and the Company shall reimburse the person making the requisition for all reasonable expenses incurred due to the Board's failure to convene a meeting. If at any time the Company does not have any Directors or a quorum of Directors capable of constituting a meeting, any two or more Shareholders holding not less than 10% of the total voting rights of the Company entitled to vote at a general meeting may convene a general meeting in the same manner, as nearly as possible, as that in which that meeting is required to be called by the Directors.

Procedures for shareholder to propose a person for election as a Director

The specific procedures for Shareholders to propose any person for election as a Director of the Company are published on the Company's website.

Procedures for putting forward proposals at general meetings

Pursuant to Sections 580 and 615 of the Companies Ordinance, either the Shareholders of the Company representing at least 2.5% of the total voting rights of the Shareholders who have a right to vote on the resolution at the general meeting, or at least 50 Shareholders who have a right to vote on the resolution at the general meeting, may request the Company in writing to circulate statements of the resolutions proposed at the general meeting/give notice of the resolutions properly proposed and intended to be proposed at the general meeting to the Shareholders entitled to receive notice of the general meeting.

The requisition (1) may be sent to the Company in paper at the registered office or in electronic form by email at contact@morimatsu-online.com/ircontact@morimatsu-online.com; (2) must identify the statement to be circulated/ resolution of which notice is to be given; (3) must be authenticated by the person or persons making it; and (4) (a) in the case of requisition for the circulation of statements regarding resolutions proposed at the general meeting, such requisition must be received by the Company not later than 7 days before the general meeting or (b) in the case of requisition for the notice of the resolutions properly proposed and intended to be proposed at the general meeting, the requisition must be received by the Company not later than 6 weeks before the general meeting, or if later, the time at which notice is given of that meeting.

Make Enquiries to the Board

Shareholders who wish to make enquiries to the Board should send such enquiries in writing to the Company. The Company does not normally handle verbal or anonymous enquiries.

Contact Information

Shareholders may send the above inquiries or requests in the following manner:

Address:	29/F, One Exchange Square 8 Connaught Place, Central, Hong Kong (For the attention of the Board of Directors/Joint Company Secretaries)
Email:	contact@morimatsu-online.com ircontact@morimatsu-online.com
Telephone:	+852 2157 0050

For the avoidance of doubt, Shareholders must deliver and send the original of a duly signed written request/notice/ statement/enquiry, as the case may be, to the above address, providing their full name, contact details and identity, in order to be processed. Shareholder information may be disclosed as required by law.

Dividend Policy

The Board has adopted a dividend policy which provides that the Company in general meeting may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by the Board and subject to applicable laws and regulations and the Articles of Association.

In deciding whether to recommend the payment of dividend to Shareholders, the Board will take into account factors including the following:

(1) general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company;

(2) the financial condition and results of operations of the Group;

(3) the expected capital requirements and future expansion plans of the Group;

(4) future prospects of the Group;

(5) statutory and regulatory restrictions;

(6) contractual restrictions on the payment of dividends by the Group to the Shareholders or by the subsidiaries of the Company to the Company;

(7) payment by the Company's subsidiaries of cash dividends to the Company;

(8) Shareholders' interests; and

(9) other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

The Board will review its financial position from time to time and will make dividend distributions as it considers appropriate in the interests of the Company and its Shareholders.

Important Event Log of Shareholders for FY2025

The Company is committed to maintaining sincere and constructive communication with its Shareholders/investors, and providing the Shareholders/investors with the information they need to make informed investment decisions. In order to further maintain and strengthen the effectiveness of the Company's communication with the Shareholders/investors, the Company's important event log for shareholders in the financial year of 2025 is as follows:

First half of 2025

- 2024 annual results announcement
  Results release (also available on live broadcasting)
- Roadshow after results announcement
- Annual General Meeting

Second half of 2025

- 2025 interim results announcement
  Results release (also available on live broadcasting)
- Roadshow after results announcement

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a three-tiered risk management and internal control system covering governance, management and execution.

The Board, as the highest decision-making body for risk management and internal control (including financial control, operation control and compliance control), is responsible for assessing and determining the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, overseeing the design, implementation and monitoring of the risk management and internal control system by the management and reviewing the effectiveness and adequacy of such system during the previous financial year and the first half of the year at least twice a year to ensure that the Group establishes and maintains an appropriate and effective risk management and internal control system. The Board acknowledges that it is responsible for the risk management and internal control system and the review of the effectiveness and adequacy of such system which is designed to manage, not eliminate, the risk of failure to achieve business objectives, and that only reasonable and not absolute assurance can be given that there will be no material misstatement or loss. The risk management and internal control system is reviewed on an ongoing basis by the Board.

The Board is responsible for overseeing and reviewing the Group's risk management and internal control system through the Audit Committee, and the Audit Committee is responsible for supervising the risk management and internal control system of the Group under the terms of reference. The Audit Committee oversees the risk management and internal control processes and reviews the effectiveness of the risk management and internal control system through the following procedures: (1) monitoring the current status of the Group's internal audit department and control systems; (2) reviewing work reports on risk management and internal control (including internal audit work, risk management work and anti-fraud work, as well as measures taken or required to be taken to address matters requiring attention in the work); and (3) reviewing the Group's work plans to maintain the continuous effectiveness of the risk management and internal control system.

The Group has established a risk management team, members of which will combine the Group's actual operation and external environment to organize and analyze risks from five aspects, namely strategy, finance, market, operation and legal, evaluate and discuss to identify significant risks, formulate and implement corresponding risk management strategies and solutions for the identified significant risks, summarize the risk management work for the previous financial year, plan the risk management work for the current year, and continuously adjust the risk management related work according to the management needs with a dynamic approach.

In addition to the above-mentioned significant risk management mechanism, the Group has established a comprehensive risk management and internal control management system, policies and systems to promote and support anti-corruption and anti-fraud laws and regulations, procedures and internal control measures for handling and releasing inside information and established an internal control process framework covering sales and cash collection, procurement and payment, inventory management, environmental protection and production management, research and development and intangible asset management, fixed asset management, capital management, human resources and remuneration management, financial reporting and external information disclosure, information system management and other business processes with continuous improvement to ensure the effective operation of the risk management and internal control system.

The Group has established a dedicated internal control audit department to undertake the internal audit function, oversee the design and implementation of internal control policies, analyze and independently evaluate the adequacy and effectiveness of the Group's risk management and internal control system, and regularly report the evaluation results to the Audit Committee. In addition to the internal control audit department, all employees are responsible for the risk management and internal control within their business areas.

The Group has established a whistleblowing policy and system for employees and those who have a relationship with the Group (e.g. customers and suppliers) to raise concerns in confidence and in an anonymous way to the Audit Committee about possible improprieties in any matter related to the Group.

The management and the Board are of the opinion that the Group's risk management and internal control system is effective and adequate, and that the resources, employee qualifications and experience, training courses received by employees and related budget of the Group in accounting, internal audit and financial reporting functions and in relation to the issuer's environmental, social and governance performance and reporting are adequate and that there were no material control failures or significant control outcomings during the Reporting Period.

Environmental, Social and Governance Report

ABOUT THE REPORT

ESG Governance Structure

The Board of the Group is fully aware of its responsibility to protect and enhance long-term Shareholder value, to lead and manage the Group to deliver long-term returns and to make a positive impact on society and the environment. Environmental, social and governance ("**ESG**") is a priority and important factor in measuring a company's non-financial performance, as well as its valuation, risk management and regulatory compliance. Corporate ESG performance is inevitably one of the key criteria for demonstrating a company's corporate social responsibility and future sustainability.

The Board of the Company is responsible for formulating ESG strategies of the Group, assessing and determining relevant risks, and ensuring that a suitable and effective risk management objective and internal control system is in place. By assessing and evaluating ESG-related risks and performance reporting, the Group sets overall strategic objectives, monitors management effectiveness, and ensures reliable business operations and compliance with relevant legal and regulatory requirements. On 14 September 2020, the Group appointed Mr. Kawashima Hirotaka, an executive Director and a member of the Board, to plan, organize and oversee the ESG process, and established an ESG management team composed of the management and the heads of production, quality control, sales, procurement, health, safety and environment ("**HSE**") and human resources departments to ensure the specific execution and implementation of the Group's ESG work and strategies. He is also responsible to report to the Board regularly and follow the Board's instruction and suggestions. During the Reporting Period, the Group established ESG working groups in the life science business unit and the energy and materials business unit respectively, which were dedicated to ensuring the execution and implementation of the Group's environmental, social and governance strategies in the respective business units under the leadership and supervision of the ESG management team.

This ESG report (the "**Report**") collects qualitative data and quantitative data to demonstrate the Group's determination and relevant performance in achieving sustainable development.

Scope of Reporting

This report provides an overview of the Group's sustainability performance by summarizing the policies, management practices and performance of the Group's businesses in the area of corporate social responsibility. The report covers the Company and its subsidiaries and branches in Hong Kong, Shanghai, Nantong, Changshu, Wuhan and Weifang in China, as well as in Sweden, Japan, USA, India, Malaysia, Italy, Singapore and Mexico.

Reporting Period

This report describes and highlights the ESG activities, challenges and measures taken by the Group during the Reporting Period.

Basis of Preparation

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Code" (the "**Code**") as set out in Appendix C2 to the Listing Rules and based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". This report has complied with the mandatory disclosure requirements and the "comply or explain" provisions of the Code.

The Group makes every effort to ensure consistency between the Chinese and English versions of this report. However, in case of any inconsistency, the English version shall prevail.

This report has been reviewed and approved by the Board.

STAKEHOLDER ENGAGEMENT

As a responsible enterprise, the Group believes that all stakeholders play their respective roles in driving the development and success of an enterprise, and that good ESG management is important for achieving sustainable development of an enterprise. To foster collaborative relationships with key stakeholders, including government and regulatory bodies, shareholders and investors, employees, industry associations, customers, suppliers and the community, the Group actively communicated with stakeholders during the Reporting Period through various channels to exchange views and ideas, and to discuss and review ESG objectives with stakeholders, with the aim of building key business strategies for the Group to drive future growth and address future challenges.

The stakeholder engagement activities conducted by the Group during the Reporting Period are set out below:

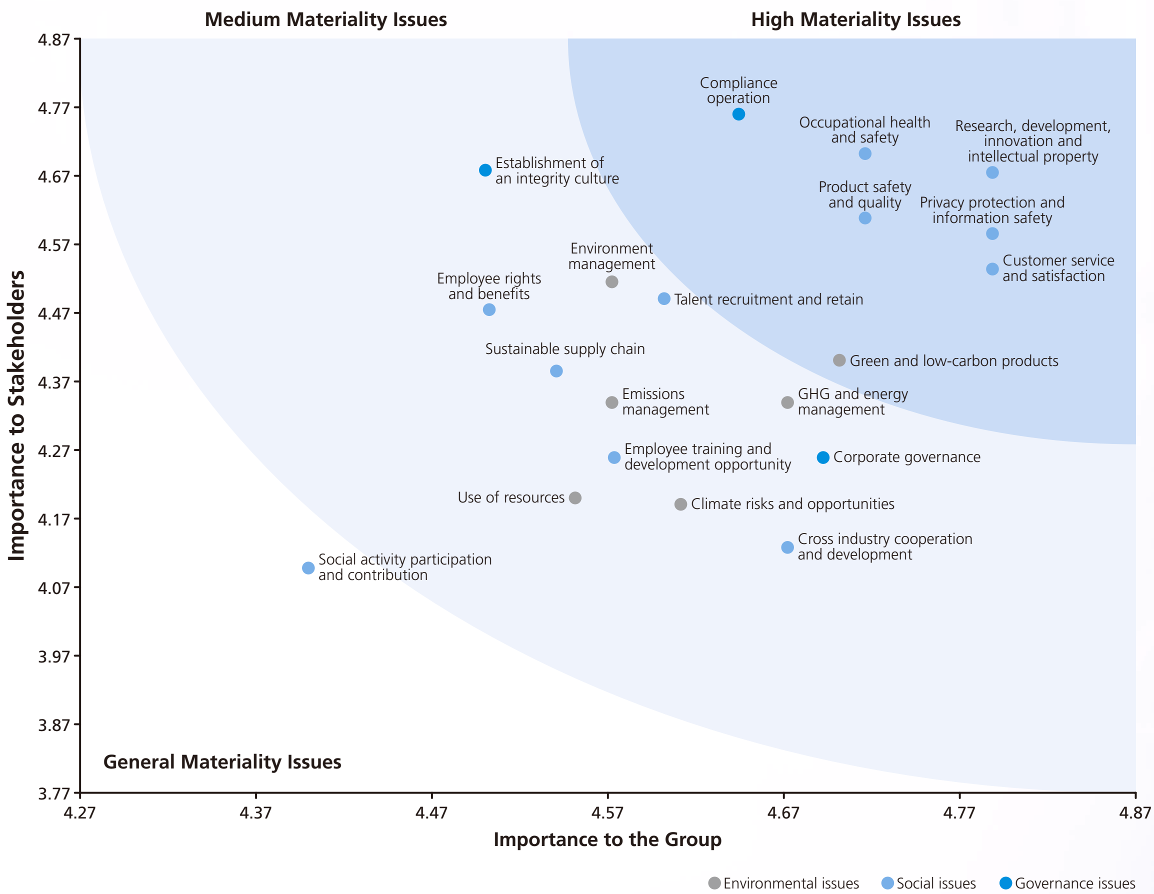
Stakeholders	Expectations on the Group	Communication and responses of the Group
Government and regulatory authorities	• Compliance with various laws and regulations • Promote employment • Pay taxes according to law • Clean production	• Comply with the laws and regulations in the place of operation and implement relevant policies • Accept supervision and inspection • Strengthen compliance management and operation for enterprises • Timely reporting and disclosure of information
Investors and shareholders	• Financial performance • Development strategies • Exploration of new business • Sustainable corporate development • Technology and innovation	• Convene regular general meetings and Board meetings • Investor research and communication • Make timely disclosure of statutory matters and business updates • Deepen product and technology innovation and continuously expand new business
Customers	• Provide products and services that meet the needs and create greater value for customers • Intellectual property protection • Information safety security • Bear corporate social responsibility	• Improve the quality of products and services • Improve customer satisfaction • Protect customer data and information • Actively cooperate with customer to perform enterprise social responsibility audit
Employees	• Protection of rights and interests • Remunerations and benefits • Safety and health • Career development • Corporate culture	• Protect the rights and interests of employees and enhance employee benefits • Improve the working environment of employees • Enhance employee health and safety related training and facility investment • Provide employees with better training related to career development • Actively communicate with employees

Stakeholders	Expectations on the Group	Communication and responses of the Group
Suppliers and business partners	• Comply with business ethics and national laws and regulations • Openness and fairness • Commitment • Work with suppliers to promote sustainable development of the supply chain and achieve win-win cooperation	• Improve the communication platform for suppliers • Optimize the supplier selection mechanism • Establish an open and transparent tendering mechanism • Provide equal opportunity for suppliers to compete • Improve supplier evaluation
Industry associations	• Facilitate industry development	• Promote sustainable industry development • Promote fair competition in the industry
Community	• Actively participate in community construction • Actively devote to public welfare undertakings	• Commences employee volunteer activities • Contributions to support education • Provides more employment opportunities • Charity donations

MATERIALITY ASSESSMENT

Through stakeholder engagement activities and management reviews, the Group has identified the following 20 ESG materiality issues in terms of relevance and materiality, and established priorities for resource allocation to address these issues. The assessment helps to ensure that the Group's business objectives and development direction are in line with the expectations and requirements of the stakeholders.

2024 ESG Materiality Issues Matrix of the Group



STAKEHOLDERS' FEEDBACK

The Group welcomes your comments and feedback on its ESG performance and approach. Your input is particularly valuable to the Group's continued excellence and sustainability and you are invited to send your questions, comments and suggestions to contact@morimatsu-online.com.

ENVIRONMENTAL PERFORMANCE

The Group considers environmental protection to be an important corporate social responsibility. The Group pays close attention to the promulgation and updating of environmental protection-related laws and regulations in the places where it operates and strictly complies with the requirements of such laws and regulations. The Group has established an environmental management system that complies with the requirements of ISO 14001:2015 standard, formulated and implemented a number of measures to control pollution and protect the environment, publicized and promoted resource conservation and energy consumption reduction through various channels, and raised the awareness of environmental protection among all people involved in order to protect the ecological environment and promote sustainable development, so as to contribute to the creation of a better home for mankind.

Emission

The Group has comprehensively identified and assessed the factors that may be involved in environmental impact. The Group has identified various factors that may have an impact on the environment in its production activities (including the production processes like welding, polishing, grinding, cutting, pickling and flaw detection in the workshops) and daily office activities of its employees (including the use of computers, air conditioners and copiers), and conducted risk assessment in five aspects, namely compliance with regulations, frequency of occurrence, scope of impact, degree of impact and social concern, and updated the assessment results annually. The Group strictly complies with the relevant laws and regulations in the places where it operates, and has formulated management policies and regulations for different environmental impact factors, such as air pollution prevention and control, water pollution control, waste management and noise pollution prevention and control, and has clearly defined the control measures to be taken by each department to protect the ecological environment of the Group and the surrounding areas. The Group aims to make continuous efforts to reduce the generation of relevant emissions on the premise of ensuring that all emissions comply with relevant laws, regulations and emission standards of the places of operation.

Waste water

In accordance with the relevant laws and regulations, the Group has formulated Water Pollution Control Management Regulations (《水污染控制管理規定》) and applied for Pollution Discharge Permit (《排污許可證》). As for domestic sewage, the Group recycles the effluent generated from the pure water preparation process for toilet flushing. After centralized collection, it is discharged into the municipal sewage network along with other domestic wastewater, ensuring no adverse impact on the surrounding aquatic environment. For the wastewater generated in the process of acid washing in workshops, the Group discharges it into the acidic wastewater collection pool and discharges it after the water treatment of neutralization to meet the standard. In order to further enhance the treatment effect of the wastewater generated from the acid washing process in workshops, the Group upgraded the acid mist extraction device in the water pressure tank in 2020 and purchased acidic wastewater treatment equipment in 2021, and formulated contingency plans for the failure of environmental protection facilities. The Group has established an emergency water pond at the Changshu manufacturing base. In the event of water quality failing to meet the standards, all production wastewater within the manufacturing base will be directed to this emergency pond to prevent leakage. The maximum storage capacity of this emergency pond is approximately 1,560 tonnes. Wastewater treatment facilities have also been set up so that 80% of the production wastewater, through pre-treatment and in-depth treatment, can be formed into recycled water that can be reused in the simple surface cleaning process in the workshop. At the Nantong manufacturing base, the Group has commenced the upgrading and renovation of its wastewater treatment facilities by adding an evaporation reuse system to the original "pre-treatment of wastewater and discharge to a wastewater treatment plant", which will result in zero wastewater discharge at the plant upon completion of the renovation. Moreover, the Group organizes annual testing by third party units with testing qualifications to ensure compliance with emission standards.

During the Reporting Period, the Group discharged approximately 955,746.86 cubic meters of wastewater and did not experience any cases of non-compliance with the effluent discharge standards.

Waste gas

In accordance with the relevant laws and regulations, the Group has formulated the Management Regulations on Prevention and Control of Air Pollution (《大氣污染防治管理規定》) to prevent and control air pollution. The Group's emission sources related to production activities are mainly natural gas combustion in heat treatment furnaces, exothermic welding and pulsed welding. The Group strives to explore and promote the use of clean production processes with high energy efficiency and low pollutant emissions to reduce the generation of atmospheric pollutants. The Group has installed waste gas treatment facilities to uniformly collect and treat all generated waste, ensuring emissions meet required standards before discharge. For the specific cases of exothermic welding and pulsed welding emissions, the Group employs an enclosed collection system within workshops, utilizing negative pressure ventilation. These emissions are then processed through an activated carbon adsorption unit before being discharged into the atmosphere through exhaust stacks. Furthermore, the Group annually organizes qualified third-party entities to conduct inspections of stationary emission sources within our facilities, guaranteeing compliance with emission standards.

The Group's office and non-manufacture related emission mainly include cooking activities in canteen, boiler room operation and official vehicle travel. The Group has adopted measures to reduce emissions by using clean energy, installing emission reduction facilities and optimizing travel routes as far as possible. In addition, the Group promotes the use of new energy vehicles among employees and customers by installing charging stations and fast-charging devices.

Through the implementation of the above measures, during the Reporting Period, the Group's waste gas emission met the goal set by the Group, and there was no non-compliance of waste gas emissions. Among them, the actual emission of particulate matter was approximately 1.6221 tonnes, the actual emission of nitrogen oxides was approximately 2.3564 tonnes, the actual emission of sulphur dioxide was approximately 0.2607 tonnes, the actual emission of benzene was approximately 0.0240 tonnes, the actual emission of toluene was approximately 0.2500 tonnes and the actual emission of xylene was approximately 0.3800 tonnes.

Dust

Metal dust will be generated during the process of polishing, grinding, cutting, heat treatment and other production operations by employees in the workshop. In view of this, the Group has installed dust collection devices in the relevant construction areas and ventilation and air exchange devices at our production premises in an effort to reduce dust pollution and safeguard employees' health.

During the Reporting Period, the Group did not experience any cases of non-compliance with dust emission standards.

Noise

In the process of workshop processing, the operation of cutting machines and welding machines will generate noise, and working under the noise for a long period of time will adversely affect the health of employees. For this purpose, the Group has formulated the Management Regulations on Prevention of Noise Pollution (《噪音污染防治管理規定》) in accordance with relevant laws and regulations, and installed noise reduction equipment such as soundproof cotton and soundproof panels on noise sources. Regular maintenance are carried out on these equipment to reduce the impact of noise on employees. At the same time, the Group has also provided labour protection products such as noise reduction earplugs, while employees are required and supervised to wear them properly. The Group organizes qualified third-party units to conduct inspections every year to ensure that the noise level of the plant meets the standards.

During the Reporting Period, there were no instances where the Group's noise level was not up to standard.

Waste

The Group complies with the relevant laws and regulations on waste management, has formulated the Regulations on Environmental Hygiene and Waste Management (《環境衛生和廢棄物管理規定》) and Regulations on Waste Management (《廢棄物管理規定》), and manages waste based on these regulations to ensure full coverage of control measures throughout the entire process from the source of production to the end disposal of waste.

The Group implements classified waste management, including hazardous waste and non-hazardous waste.

Hazardous waste mainly includes waste mineral oil, waste wipes and packaging, waste fixing solution and waste developing solution, etc. The main control measures adopted by the Group on hazardous waste are as follows:

o Hazardous waste is collected by the designated responsible department, stored in special containers and placed in the dangerous goods storage areas. The waste storage facility is equipped with anti-permeation epoxy flooring and features diversion channels and collection tanks to prevent leaks from spreading.

o Containers and sites for storing hazardous waste are equipped with corresponding labels and warning signs to achieve proper storage of various types of hazardous waste.

o Designate personnel to contact qualified units to dispose of hazardous waste; the disposal department and the receiving department fill out the Hazardous Waste Disposal Registration Form (《危險廢棄物處置登記表》) according to the actual disposal situation, and implement stringent registration management for the disposal of hazardous waste.

Non-hazardous waste mainly includes waste metal residues, domestic waste, kitchen waste and construction waste, etc. The main control measures adopted by the Group for non-hazardous waste are as follows:

o For metal scrap, the Group sets up metal scrap hoppers in the production area to sort and collect metal scrap of different materials or models before sending them to designated storage areas for disposal.

o For domestic garbage, the Group has set up various types of garbage bins in the office area, production area and living area for collecting dry, wet, recyclable and non-recyclable garbage, which will be cleaned and collected by the cleaning staff to the garbage room for disposal by qualified units.

o For kitchen waste, the canteen contractor will contact a qualified unit for disposal.

o For construction waste, the construction unit is responsible for cleaning and transporting it to the waste storage site.

During the Reporting Period, the Group had achieved the waste reduction goals. The Group generated and effectively disposed of approximately 128.38 tonnes of hazardous waste and approximately 3,959.80 tonnes of non-hazardous waste.

Greenhouse gas

The Group's greenhouse gas emissions mainly come from carbon dioxide generated from the use of purchased electricity, natural gas used in heat treatment furnaces and canteens, etc., and from the diesel fuel for forklift vehicles and gasoline for business vehicles. In addition to controlling emissions directly generated from production and office activities, the Group has taken the following measures to reduce greenhouse gas emissions and contribute to the development of a low-carbon economy.

- Promote the rational use of air conditioning and reduce the use of substances that will damage the ozone layer. The Group restricts the maximum temperature of air conditioning in winter and the minimum temperature of air conditioning in summer, stipulating that air conditioning can be used only when the minimum outdoor temperature is lower than 5°C and the set temperature shall not be higher than 20°C; air conditioning can be used only when the maximum outdoor temperature exceeds 30°C and the set temperature shall not be lower than 26°C.

- Use and promote Internet-based remote office operations such as remote visits, remote inspections and digital installation to reduce the consumption of oil and gas resources and greenhouse gas emissions caused by unnecessary travel.

- Optimize the structure of energy use through the application of photovoltaic equipment, and gradually use clean energy to replace purchased electricity. During the Reporting Period, the Group completed the construction of photovoltaic equipment with an aggregate capacity of more than 18 MW and encouraged employees to prioritize new energy vehicles for commuting and business travel.

- Organize green planting adoption activities for employees to encourage them to plant green plants to improve the office environment and help protect the environment at the same time.

- Refine the control of water, electricity and gas consumption, strengthen the analysis of consumption, and adopt various technologies and management methods to save energy and reduce carbon emissions.

- Encourage employees to actively provide advice and suggestions on the Group's energy conservation and emission reduction efforts, and reward outstanding proposals.

During the Reporting Period, the Group's emitted carbon dioxide has met the emission goal it set. The total carbon dioxide emitted by the Group was approximately 25,338.85 tonnes, of which carbon dioxide emission indirectly caused by energy was approximately 19,037.52 tonnes. (Note: The data is calculated based on the calculated energy consumption including electricity, natural gas, diesel and gasoline, the authoritative guidelines which includes the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Enterprises (《企業溫室氣體排放核算方法與報告指南》), and the electricity carbon emission factors publicly disclosed by the governmental agencies in the regions where the operations are conducted, but the data is only an estimate as the CO_2 emissions from fuel consumption are closely related to factors such as the composition of the oil and the performance of the engine.)

Use of Resources

The main resources used by the Group include purchased electricity, natural gas used in heat treatment furnaces and canteens, diesel for forklifts, gasoline for official vehicles, production and domestic water/electricity and product packaging materials. The Group's goals for the use of resources are: with the continuous development of the Group's business, to continuously improve the utilization efficiency of relevant resources, save resources as much as possible, and control resource usage. The Group has formulated the Management Measures for Energy Conservation (《節能管理辦法》) and has taken measures to reduce resource consumption in various aspects, thereby achieving the energy efficiency goals set by the Group.

Electricity resources

The Group pays attention to the management of electricity consumption in daily operation and has taken consumption reduction measures as follows:

- Post energy-saving tips next to the switches of commonly used high-powered equipment to educate employees to reduce unnecessary electricity consumption in production and office processes, in order to reduce the environmental impact of operational activities.

- Require employees to power off computers and other peripheral equipment when they are away from the office for more than one hour.

- Require the windows and doors to be closed when opening the air conditioning in winter and summer, and set the air conditioning temperature reasonably.

- For the use of electricity in production and office processes, the Group procures energy-saving equipment as far as possible and reduces electricity consumption by rationalizing production schedules and process modifications. For example, the workshop lighting system was upgraded to ensure that the demand for lighting was met while realizing a significant reduction in electricity consumption for lighting, and the lighting equipment in the production park was upgraded to solar-powered exterior lights.

- The Group is actively constructing photovoltaic energy systems and installing photovoltaic power generation panels. Among them, the Nantong manufacturing base has completed the installation of 10 MW of installed capacity, and the Changshu manufacturing base is in the process of installing 8.22 MW of distributed photovoltaic power generation panels.

Water Resources

The Group does not face any issues in the shortage of water supply in its operations, nor does it have any difficulty in finding suitable water sources for its business operations. However, water conservation is becoming an increasingly important issue for the whole society. Therefore, the Group has actively taken the following consumption reduction measures and accomplished the goals for the efficiency of water use.

- The Group has renovated the drinking water facilities for workshops since 2022, changing the water supply through the drinking fountain to direct water supply from the water room through the pipeline, eliminating the need to specifically clean and seal the water drums used in the loop. The Group has set up more than 60 drinking points, replacing the water dispensers that were previously in daily use. After the renovation, the Group eliminated the daily need to clean, package and transport the barrels of water. As such, pure water for bucket cleaning will be saved every year.

- The Group has integrated the concept of energy saving into the product design and, since 2022, optimised the design of the spray ball for cleaning in the container equipment, which has obvious water saving effect compared with the common spray ball. It is estimated that the reduction in water flow could save about 200 kilowatt hours of electricity of each equipment per year.

- The Group has established a rainwater recycle system, which recycles the rainwater for site cleaning and green irrigation.

Paper resources

As for the paper consumption in the office process, on the one hand, the Group controls the total amount of paper consumption by recording the paper consumption of each department on a monthly basis to reduce waste. On the other hand, the Group advocates paperless office and delivery of materials in electronic form. During the Reporting Period, the Group newly added 210 office automation (OA) approval process forms, reducing the printing of non-essential paper documents.

Packaging materials

The Group's products are mainly customized for customers, and the packaging materials used vary, mainly including wooden boxes, rain-proof cloth, iron pallets and wooden pallets. Nevertheless, the Group will reuse eligible and recyclable packaging materials in the course of business development. For example, in the course of module delivery, the Group optimized the sealing solution for its flange connections by replacing wooden blind plates with reusable customized plastic protective caps, which could save an average of approximately 81% of the cost of sealing materials. For packaging materials such as wood and wooden boxes, the Group arranges specialists to identify and reuse those that can be recycled in order to minimize the waste of resources.

Oil and gas resources

The Group's daily operations involving the use of oil and gas resources mainly include the use of diesel fuel for forklift trucks, gasoline and diesel fuel for corporate vehicles and commuter shuttles, the burning of natural gas for heat treatment furnaces, the burning of natural gas for cooking in canteens and the burning of natural gas for boiler room operations. In order to save resources, the Group promotes the use of Internet-based remote work mode in its business activities, such as remote visits and remote inspections, to reduce unnecessary travel; and newly installs charging piles, purchases electric forklifts, and introduces industrial steam into the plants. In order to enhance energy efficiency and reduce energy wastage and pollutant emissions, the Group has set up an energy efficiency monitoring system in its factories to monitor energy consumption in each production process in real time, and has vigorously promoted clean production processes, optimized production processes, upgraded outdated production equipment and introduced new high-efficiency production equipment. Through the aforesaid measures, the Group has been able to effectively achieve its energy efficiency goals.

During the Reporting Period, the Group's source consumed data is as follows:

Category	Name	Consumption	Unit	Intensity	Intensity Unit
Water, electricity and gas	Water	1,061,940.95	tonnes	152.83	tons/RMB million revenue
	Electricity	37,226.22 (including approximately 4,939.50 thousand Kwh of photovoltaic power generation)	thousand kilowatt hours (Kwh)	5.36	thousand kWh/RMB million revenue
	Natural gas	2,622,661.00	m^3	377.45	m^3/RMB million revenue
Paper	Printing paper	39.56	tonnes	0.01	tonnes/RMB million revenue
Packaging materials	Rain-proof cloth/bag	524,388.97	sq.m.	75.47	sq.m./RMB million revenue
	Wooden board/wooden box	25,116.36	sq.m.	3.61	sq.m./RMB million revenue
	Wooden cubes/wooden brackets	1,685.03	m^3	0.24	m^3/RMB million revenue
	Iron saddle/frame	1,581.49	tonnes	0.23	tonnes/RMB million revenue
	Tray	12,771.63	sq.m.	1.84	sq.m./RMB million revenue
	Drying agent	19,117.24	kg	2.75	kg/RMB million revenue
	Packing Tape/ Plywood Tape	8,955.16	m	1.29	m/RMB million revenue
Fuel consumption	Petrol	85,082.56	litre	12.24	litre/km
	Diesel	175,487.35	litre	25.26	litre/RMB million revenue

Environmental and natural resources

The Group is not in a highly polluting industry. Its production technology and processes do not involve significant pollution emissions and its business does not involve direct access to natural resources. However, the Group still attaches great importance to environmental protection and resource conservation, and focus on environmental protection-related investments. During the Reporting Period, the Group's environmental protection expenses were mainly related to three aspects: (1) environmental protection tax and emission fees of approximately RMB325,400; (2) environmental protection equipment and construction in progress of approximately RMB892,000; and (3) environmental protection-related external service fees of approximately RMB641,500.

Climate Change

The World Economic Forum's Global Risks Report 2022 (17th edition) (《2022年全球風險報告》(第17版)) highlights that environmental risks are seen as the world's five most serious long-term threats and are also most likely to have devastating impacts on humans and the planet, among which "failure of climate action" and "extreme weather events" ranked the top two. The Group is aware that different climate change development trends will have different impacts on the Group's operations and has established a governance structure of "Board of Directors — ESG Management Team — ESG Working Group." The Board is responsible for formulating climate governance strategies of the Group, assessing and determining relevant risks, and ensuring that suitable and effective risk management objectives and internal control systems are in place. The ESG management team is responsible for the execution and implementation of the Group's climate governance strategy, and reporting to the Board on a regular basis to receive guidance and suggestions. The ESG working group is responsible for the execution and implementation of the Group's climate governance measures within its respective business segments and reporting to the ESG management team on a regular basis.

Climate-related risks include transition risks related to a low-carbon economy and physical risks related to the impact of climate changes. Taking into account the relevant risks identified by the TCFD (Task Force on Climate-related Financial Disclosures), the Group has identified the following climate-related risks and opportunities associated with its operations.

Types		Risks/Opportunities Description	Response Measures
Physical Risks	**Flood** **Typhoon** **Drought** **Extreme heat, extreme cold and rising average temperatures**	• Climate change will increase the frequency and severity of extreme weather, such as flood, typhoon, drought, etc. • Extreme weather will likely damage factory production facilities, resulting in economic losses and disruptions in production. • The normal operation of the supply chain may be disrupted, and the transportation and warehousing of raw materials/finished products may be suspended for extended periods due to extreme weather. • The lives and health of employees may be threatened, and production efficiency and product delivery services cannot be guaranteed. • In the long run, climate change will bring chronic climate risks, such as rising sea levels, which will lead to land inundation, transportation disruptions, and water shortages due to salinization of water sources, which may have an impact on the normal production and operation of the Group.	• During the process of project construction, the Group comprehensively considers the impact of climate risks and strives to avoid potential impact on the production progress at the site selection phase. The Group will modify or even relocate its operation sites based on the risk exposure during the operation process. • The Group monitors climate warnings at all times and activates different levels of countermeasures in accordance with its Special Emergency Scheme for Typhoon and Flood Prevention (防颱防汛專項應急預案) based on different levels of early-warning signal issued by the meteorological departments, and reports and adjusts the production schedule in a timely manner. • The Group establishes an emergency response team and compiles a Contingency Plan for Emergency Environmental Incident (《突發環境事件應急預案》), carries out safety modifications to the operation sites and procures emergency equipment and supplies to minimize safety risks, economic losses risks and disruptions in operations. • The Group conducts regular staff training on extreme weather emergency response to fully publicize the Group's risk management policies and emergency response methods, and maintains insurance coverage for all operation sites to enhance protection in various ways.

Types		Risks/Opportunities Description	Response Measures
Transition Risks/ Opportunities	**Policy change risks**	With the gradual introduction of market-led carbon tariffs and pricing policies in developed countries around the world and the inclusion of certain industries in the carbon trading market in the PRC, the Group will face the risk of higher operating and financial costs if its business sectors are included in the scope of the policies.	• The Group has been monitoring the laws, regulations and compliance requirements of the places of operation in real time, and has strengthened communication with customers, governments and other stakeholders, and initiated compliance risk prevention measures in advance to minimize compliance-related risks.
	Market demand risks and opportunities	Against the backdrop of China's goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060 ("30 • 60" Dual Carbon Target) (「30·60」雙碳目標) and global green development, more and more consumers are paying attention to green products, green-labeled low-carbon products and services, and such demand will gradually spread to different levels of the supply chain.	• The Group has launched carbon inventories and product carbon footprint certifications for some operational sites, and at the same time carried out various carbon reduction measures such as energy-saving and technological reforms to reduce carbon emissions.
	Technological transformation risks and opportunities	The demand for green development is both a challenge and an opportunity. The Group needs to analyze the needs of its customers and carry out transformation initiatives such as green technological reforms, green factory certifications and the use of clean energy, and at the same time, actively research and develop products and services that better meet market needs to satisfy the demands of end-users as well as the global trend of green transformation.	• The Group has initiated a number of photovoltaic equipment construction projects, which will greatly increase the application of clean energy and ensure that the demand for green products from downstream customers can be fully met. • The Group has actively participated in the green and low-carbon environmental protection projects of its customers by implementing green and low-carbon environmental protection measures in the production and delivery process of the Group's products, providing reliable equipment and devices for the green projects of its customers, and accumulating experience in green projects through actual case cooperation.

The Group actively responds to climate change by reducing energy consumption, meeting pollutant emission standards, recycling packaging and other auxiliary materials, from the perspectives of process technology optimization, equipment energy efficiency improvement, and green ecological product design, with a view to reducing the impact of its operations on the environment, so as to achieve green and low-carbon development. The Company's subsidiaries are in the process of launching the entire lifecycle carbon footprint certification for some of their products. Among them, four typical core equipment products, namely vessel, tower, heat exchanger and reactor, covered by the energy and materials business unit have already obtained carbon footprint certification, while the life science business unit is actively preparing for carbon footprint certification of its products with clear internal management objectives of increasing the carbon footprint analysis coverage rate for key products and the proportion of eco-labeled or eco-certified products. The Group also helps business partners contribute to the fight against climate change by providing products and services to customers in fields such as renewable energy and environmental protection. Such products and services include process packages and modular engineering solutions for sustainable aviation fuel (SAF), production facilities with high environmental performance in electrolyte and wet metallurgy, continuous production process and modular construction in the field of raw materials for power batteries, module for recycling in plastic recycling sector and devices of green hydrogen/green ammonia/green methanol, membrane-based water injection machines in pharmaceutical industry, customized spray balls in the field of fast-moving consumer goods, etc.

SOCIAL PERFORMANCE

Employment Policy and Care for Employees

Human resources are considered to be a valuable asset of the Group as employees play an important role in providing design and development, processing and manufacturing, value-added services and customer liaison.

The Group strictly complies with the relevant employment laws and regulations in the places where it operates, and has established regulations and systems such as the Employee Handbook (《員工手冊》), the Recruitment Management System (《招聘管理制度》) and the Holiday Management System (《節假日管理辦法》). To promote a quality and diverse team, the Group provides equal opportunities to its employees in recruitment, training and development, job promotion and remuneration and benefits. The Group not only recruits in the society, but also in various institutions of higher education and professional schools. The Group will consider a number of factors when recruiting employees, including but not limited to their experience in related industries, major, education background and the Group's business needs, but the Group's recruitment will not be affected by age, gender, marital and family status, race, skin color, region, nationality, religious belief and political affiliation. The Group provides employees with rich job opportunities according to the positions of different nature, including domestic and overseas job opportunities. The Group has also set up open promotion channels for different business lines and positions to assist employees in their personal career planning and development, and strive to achieve a win-win situation for the Company and the employees. When an employee resigns, the Group will organize work handover in accordance with the regulations, and each process will be reviewed and signed by the corresponding person in charge; the Group will also get to understand the reasons for the employee's resignation through the relevant person in charge, listen to the opinions of the employees, and continuously improve the level of operation and management.

The Group has formulated a sound performance appraisal system and policies on remuneration and benefits of the employees, and implemented a performance appraisal method that integrates the "Balanced Score Card (BSC)" and "Key Performance Indicator (KPI)" to conduct monthly, semi-annual and annual work performance assessments on employees under the principles of fairness and justice and in accordance with the prescribed operating procedures, so as to make comprehensive assessments the employees' work performance, business capabilities, etc., and take the assessment results as an important basis for renewal of employment/dismissal, bonus distribution, salary adjustment, job promotion, and selection and evaluation of employees. The Group pays labour remunerations to employees on time and in full every month, and pays various insurances according to law, and provides employees with various allowances (job allowance, qualification allowance, high temperature allowance, etc.), subsidies (rental subsidies, night shift subsidies, etc.), gift money, consolation money, assessment bonuses and year-end bonuses and other remuneration and benefits; for employees who meet specific conditions, the Group will provide them with supplementary pensions and commercial insurance for accidents, critical illnesses, and health; for employees who have served the Group for a long time and made outstanding contributions, the Group will provide additional rewards in kind or in cash. The Group strictly complies with the applicable laws and regulations regarding working hours in the locations where we operate. It also attaches great importance to the reasonable arrangement of workload and working hours, guarantees employees' rights to rest and vacation, strictly controls the approval of overtime applications, and prevents overtime hours exceeding the legal standards; in addition to public holidays and rest days, the Group provides employees with annual leave, marriage leave, maternity leave, sick leave, personal leave, condolence leave and family leave. As at 31 December 2024, the total number of employees of the Group was 4,565 and the composition of employees is summarized in the table below.

Employment of active employees by age and gender:

Classification	30 and below	31–40	41–50	Over 51	Male	Female	Total number of employees
Age	1,319	1,919	938	389	/	/	4,565
Gender	/	/	/	/	3,705	860	4,565

Employment of active employees by region:

Classification	Shanghai	Jiangsu	Wuhan	Shandong	Sweden	India	Japan	USA	Hong Kong	Italy	Mexico	Singapore	Malaysia	Total number of employees
Region	2,035	1,835	206	26	15	90	47	11	1	5	17	10	267	4,565

Employment of active employees by employment type:

Classification	Permanent	Contract	Total number of employees
Employment type	4,347	218	4,565

During the Reporting Period, the Group has been upholding a people-oriented management philosophy and has launched various caring activities such as staff medical check-ups, staff birthday parties every month, housekeeping services, caring vehicles, etc. Donations have been raised for employees in difficulties or suffering from illnesses. With the above, the Group demonstrated love and care to its employees from their work to their lives in hopes of increasing the satisfaction and sense of belonging of its employees. In order to help families with both parents working with the Group solve the problem of unattended children during summer vacation, the Group has held 7 consecutive sessions of summer care classes, which was one of the first batch of "Employee Parent-Child Studios (職工親子工作室)" listed by the Shanghai Federation of Trade Unions (上海市總工會), and won the title of "Loving Summer Care School of National Trade Union (全國工會愛心暑託班)". In order to consolidate and promote the construction of a gender equality mechanism, solve female employees' worries about the work after childbirth, and provide pregnant and breastfeeding female employees with a more comfortable place to rest, the Group has established a "mother and baby room", which has served more than 40 working mothers and has been awarded the honorary titles of "Four-Star Loving Mommy House (四星級愛心媽咪小屋)" and "Top 10 Loving Mommy House in Pudong New District (浦東新區十佳愛心媽咪小屋)" by the Female Workers Committee of the Shanghai Federation of Trade Unions successively. Based on the principle of two-way choice and respect for the individual career development of employees, the Group has actively retained and cared the employees. Nevertheless, 660 employees left the Group during the Reporting Period (the "**Former Employees**"), and the relevant information of the Former Employees is as follows:

Former Employees by age and gender:

Classification	30 and below	31–40	41–50	Over 51	Male	Female	Total number of employees
Age	330	227	60	43	/	/	660
Gender	/	/	/	/	574	86	660

Former Employees by region:

Classification	Shanghai	Jiangsu	Shandong	India	Japan	Malaysia	Total number of employees
Region	245	341	21	26	2	25	660

Occupational health and safety policies

The Group is concerned about the well-being of its employees and is committed to providing a safe, healthy and secure working environment for them. The Group complies with the relevant occupational health and safety regulations in the regions in which it operates, has formulated a series of management systems including the Management Regulations on Occupational Health and Safety (《職業健康安全管理規定》), the Management System for Occupational Health Monitoring and Filing (《職業健康監護及檔案管理制度》), the Management Regulations on Labour Protection Articles (《勞動防護用品管理規定》), the Management System for Safety Production (《安全生產管理制度》), the Procedures for Equipment Operation Safety (《設備安全操作規程》) and the Management System for Shift Handover Safety (《交接班安全管理制度》), and has established an occupational health and safety management system that meets the requirements of the ISO 45001:2018 standard, and introduced "5S" (i.e. Seiri (sorting), Seiton (rectification), Seisou (clearing), Seiketu (cleaning) and Shitsuke (quality)) management activities to standardize work processes, ensure work safety, and maintain a harmonious management atmosphere. The Group has established a safety management committee and an HSE department, which are specifically responsible for managing issues related to environmental protection and safety production. The Group identifies and summarizes risk factors from the aspects of operation area, operation content, accident type and possible hazards, and evaluates the risk levels based on the possibility, frequency, consequence and degree of danger of these risk factors. According to different risk levels, the Group strictly implements relevant management systems to ensure the occupational health and safety of employees during safe operation. At the same time, in order to prevent the occurrence of danger, the Group has also clarified the control measures that each responsible department needs to take, and formulated emergency plans for prevention and control.

The Group regularly and irregularly conducts safety education and training and emergency drills, including safety education for those who return to work and are assigned to different positions, safety education for special types of work, daily safety education, training on emergency response to extreme weather and confined space emergency rescue drills. The Group requires that employees who have not received safety education, on-the-job training, or failed to pass the training and assessment shall not be allowed to work, so as to further ensure the safety of employees in the production process. The Group organizes employees to carry out health checkups every year, and establishes employee health files. The Group organizes occupational disease checkups for employees of special types of work and strictly implements the Responsibility System for Prevention and Control of Occupational Disease Hazards (《職業病危害防治責任制》), Warning and Notification System (《警示與告知制度》), Occupational Disease Hazards Disposal and Reporting System (《職業病危害事故處置與報告制度》) and other management systems. For outsiders, the Group requires that they must receive safety training and risk prevention introduction before entering the workshop. The Group also arranges construction safety training, on-site physical examination, and purchase of insurance for the personnel who stay with suppliers. In addition to internal training, the Group hires external lecturers to introduce the latest HSE-related policies and requirements every year, and puts forward issues that need special attention or can be improved based on the actual situation in the work, thereby effectively improving the safety awareness of employees and the level of corporate safety management.

During the Reporting Period, the Group had 13 work-related accidents, resulting in a total of 620 lost working days. In the past three years (including the Reporting Period), the Group recorded 1 work-related fatality, which was caused by gravity dumping during the handling of the liquid storage module.

To further improve the occupational safety environment and prevent the recurrence of similar accidents, the Group continuously improves and strengthens internal control measures, including (i) neatly arranging equipment and materials in the workplace and keeping the workplace clean and tidy; (ii) adopting more appropriate workflow and operation regulations, requiring employees to identify risks and hazards during on-site operations, strictly enforcing operation procedures and eliminating illegal operations; (iii) enhancing training on occupational health and safety for employees; and (iv) strengthening inspections by section supervisors and team leaders to eliminate potential hazards in a timely manner.

Human Capital Development and Training Policy

As a valuable asset of the enterprise, employees are vital to the growth and success of the enterprise. The Group has formulated an effective talent strategy and the Employee Education and Training Management System (《員工教育培訓管理制度》) and set up a dedicated department, the Training Center, to coordinate training resources, formulate annual training plans, and organize various forms of internal and external training. At the end of each year, the head of each department of the Group will formulate the training plan for the following year according to the business development needs and organize various training within the department.

The Group not only provides training to its employees in all aspects of business operations, including work safety, sales and marketing, compliance with applicable laws and regulations, technical skills, product quality and management, but also provides training related to career development planning to create a learning organization with continuous learning and growth for all employees with the goal of mutual development of both employees and the Group. In 2018, the Group established an internal training organization, Morimatsu University, which aims to uphold legacy including corporate culture and values, transmission of technology, management and business wisdom, cultivate and improve employees' work skills and management talents, and grow the Group's talent pool. In addition to the Group's internal senior management and technical staff, Morimatsu University also employs professionals in related fields or professors and lecturers from renowned universities. The Group organises 1 to 2 sessions of youth cadre training classes and senior management reserve classes annually, with each lasting about half a year. We will invite external or internal lecturers to deliver courses on various topics. These courses are aimed at developing the participants' learning capabilities and management skills, enabling them to gradually become the management of the Group. In addition, the Group encourages and supports employees to pursue further education at universities in China and abroad, providing tuition subsidies if they meet the relevant criteria.

The employee training data is as follows:

Employee category	Percentage of employees trained	Average training hours
Employees engaged in production work	100%	16.56
Employees not engaged in production work	100%	20.35

The training data by gender is as follows:

Gender	Percentage of employees trained	Average training hours
Male	100%	18.78
Female	100%	19.52

Labour Standards

The Group abides by the applicable laws and regulations on employment, protection of minors, prohibition of child labour and prohibition of forced labour in the regions where it operates. The Group has formulated management systems such as the Recruitment Management Procedures (《招聘管理流程》) and the Employee Handbook (《員工手冊》), and regularly reviews its recruitment systems, procedures and documentation to avoid child labour and forced labour. During the Reporting Period, the Group had no incidents of child labour or forced labour.

Supply Chain Management

Pursuant to the Supplier Development Procedures (《供應商開發程序》), Procedures for Handling Quality Issues of Suppliers (《供應商質量問題處理流程》), Regulations on the Management of Purchasing Inquiry and Comparison (《採購詢價比價管理規定》), Purchasing and Tendering System (《採購招標制度》) and other management systems, the Group has established strict selection and admission criteria for suppliers of raw materials and components, including qualifications, scale and facility standards, technical quality, product quality, price, delivery capability, labour conditions and employee relations, site management, environmental review and after-sales service, etc. The Supplier Comprehensive Capability Evaluation Form (《供應商綜合能力評審表》) is prepared and scored according to the scoring criteria. Only potential suppliers that meet the Group's selection criteria are admitted into its qualified suppliers list. The Group has entered into framework agreements with some of its better-qualified suppliers and subcontractors for common parts, consumables, welding consumables, outsourced processing to establish stable and long-term business relationships.

According to the purpose and frequency of purchasing materials from suppliers as well as the impacts of the purchased material on the quality of its products, the Group divides suppliers into three categories: suppliers of main materials (Category A), suppliers of non-important materials (Category B) and suppliers of auxiliary materials and consumables (Category C). We regularly re-assess existing suppliers based on their supply performance, with a focus on their performance in environmental protection (including the use of environment friendly products/services), employee workplace, employee relations, labour protection, etc. The re-assessment of Category A suppliers is led by the Group's quality assurance department, while the re-assessment of Category B and C suppliers is led by the Group's purchasing department. For suppliers who fail to pass the annual assessment, the Group will give them a chance to rectify the situation and will organise a re-assessment after the suppliers have completed the rectification. If those suppliers fail to pass the re-assessment, the Group will remove them from the list of qualified suppliers. For the existing suppliers who have interrupted supply and demand relationship for 12 months or more, or whose products have been supplied with significant quality issues or serious defaults, the Group will remove them during the regular assessment, and will conduct on-site inspections when considering re-admittance.

The Group integrates the concept of sustainable supply chain into supplier management, and conducts ESG inspections and management of suppliers in the dimensions of environmental management, anti-corruption and integrity, and labour management. We have formulated the Supplier Code of Conduct (《供應商行為準則》) and require suppliers to comply with the Group's Supplier Code of Conduct when cooperating with them. We have also signed integrity cooperation agreements with suppliers to encourage them to use more environmentally-friendly products and services in the production and construction processes, strengthen integrity and self-discipline and take into account both environmental and social responsibilities. For subcontractors, the Group has formulated the Management Regulations on Contractors' HSE Review (《承包商HSE評審管理規定》), which requires all subcontractors to sign the Occupational Health, Safety, and Environmental Protection Agreement (《職業健康、安全、環保協議書》), and conducts regular HSE review on them.

As at 31 December 2024, the Group had approximately 1,947 suppliers related to production activities, to whom the Group had implemented the aforesaid engagement and review policy. Among them, approximately 1,478 were domestic suppliers in China and approximately 469 were overseas suppliers. The domestic suppliers in China include 24 in Northeast China, 69 in North China, 1,269 in East China, 51 in South China, 30 in Central China, 21 in Northwest China and 14 in Southwest China. Overseas suppliers are mainly located in six countries, namely the USA, Japan, Germany, Switzerland, Singapore and the UK.

Product Responsibility

The Group strictly abides by the laws and regulations applicable to product responsibility, advertising, labeling, and privacy protection in the regions where it operates, and the Group's product quality control system has passed the certification of ISO 9001:2015 Quality Management System and ISO 3834-2 Quality Requirements for Welding of Metallic Materials. For core equipment, the Group has established systems such as the Pressure Vessel Design Management System (《壓力容器設計管理制度》), Production Process Control (《生產過程控制》) and Non-destructive Testing Control (《無損檢測控制》). For modular factories, the Group has developed systems including the Standard Operational Procedures for Modular Process Design (《模塊工藝設計標準作業程序》), Operational Guidance for Pipeline Layout Design (《管道佈置設計作業指導書》) and Standard Operational Procedures for Modular Assembly Design (《模塊總裝設計標準作業程序》). To ensure effective implementation of product quality management, we have established management systems such as the Quality Control Handbook (《質量控制手冊》), the Projects Management Procedures (《項目管理程序》) and the Regulations for Point-based Quality Assessment (《質量積分考核規定》). At the same time, the Group has adopted the "Plan-Do-Check-Act" cycle as its management philosophy and applies the non-destructive evaluation (NDE) platform and the physical and chemical inspection platform to conduct quality inspections. The Group continuously improves product quality and product quality control by monitoring and measuring all aspects of the production management process through various regular and irregular inspections as well as internal and external quality audits.

The products sold by the Group are all non-standard products customized by customers. Benefiting from the continuous communication with customers during the design, construction and acceptance of projects, the Group had provided products to customers with a pass rate of more than 98.5% for the primary filming of welded seams and more than 97% for the primary inspection of the products during the Reporting Period. The Group did not have any recalls of sold or delivered products for safety and health reasons during the Reporting Period.

The Group distributes the Customer Satisfaction Survey Forms to customers every year to collect customer feedback. The assessment satisfaction is divided into A, i.e. very satisfied, B, i.e. satisfied, C, i.e. average, D, i.e. relatively dissatisfied, E, i.e. dissatisfied and give up. During the Reporting Period, the Group issued Customer Satisfaction Survey Forms with a total of 2,518 evaluation items, of which 63 were rated as "give up", and the remaining satisfaction results were: approximately 71.09% were rated as A, i.e. very satisfied; approximately 24.90% were rated as B, i.e. satisfied; approximately 1.47% were rated as C, i.e. average; and approximately 0.04% were rated as D, i.e. relatively dissatisfied; and 0% were rated as E, i.e. dissatisfied, and the overall customer satisfaction rate was 97.46%. The Group has set up an after-sales service department specifically responsible for addressing to inquiries and complaints from customers. During the Reporting Period, no material customer complaints were received, representing a response and processing rate of 100% for customer service communications. After receiving the inquiries and complaints from customers, the after-sales service department will detailedly record, analyze and address related issues, conduct on-site investigation or product testing if necessary, work with the relevant departments to formulate effective solutions, such as product replacement, repairment or provision of alternatives, etc. Upon confirmation and consent of the customer, the Group will implement the solutions and maintain communication with the customer during the process to ensure that the complaints are resolved. With respect to the complaints, the Group will, upon completion of the matters, determine the responsibility, identify the specific department responsible, formulate preventive and corrective measures, provide training to relevant personnel, and improve product design and production processes when necessary to prevent the recurrence of the problem.

During the Reporting Period, there were no incidents of false advertising and misrepresentation in respect of advertising and labelling by the Group.

Protection of Intellectual Property Rights

In order to better serve our customers and enhance the competitiveness of our products, the Group attaches great importance to the development and maintenance of intellectual property rights. The Group has formulated internal management systems such as the Administrative Measures for Intellectual Property Rights (《知識產權管理辦法》), the Intellectual Property Reward Policy (《知識產權獎勵制度》), and established an intellectual property rights management team, which is composed of dedicated staff and representatives from each research and development project group, to continuously enhance the Group's independent innovation capabilities. During its business operation, the Group respects the intellectual property rights of other companies or individuals, and also actively develops and protects the Group's intellectual property rights through technology exploration and patent applications.

During the Reporting Period, there was no material infringement of intellectual property rights by the Group and the Group believes that it has taken all reasonable measures to prevent any infringement of its own intellectual property rights and those of third parties.

Data Protection and Privacy Policies

The Group is committed to protecting the privacy of its customers, employees, partners and suppliers by maintaining a secure and reliable data retention environment. The Group has formulated a Confidentiality Implementation Policy (《保密工作實施細則》), pursuant to which the confidentiality working group is responsible for the daily coordination, supervision and inspection of confidentiality to ensure the highest standards of data security and protection. The Group's employees can only access the relevant confidential information within the scope of their duties and have the obligation and responsibility to keep such information confidential. The Group's information management department is responsible for standardizing the Group's computer user accounts, passwords and hardware and software configurations to prevent unauthorized access to confidential information by employees.

The Group has passed the ISO/IEC 27001:2013 information security management system certification and certification review, formulated internal management systems such as the Information Security Policy and Strategy (《信息安全方針和策略》), the Administrative Measures for Data Security (《數據安全管理辦法》) and the Reporting Requirements for Information Security (《信息安全報告規定》), established an information security working group under the information management department and conducted information security training for employees on a regular basis to further strengthen the security of the Group's information and data systems. During the Reporting Period, all personal information and business data collected in the Group's operating and business activities were properly collated and protected, and no significant information security and data leakage incidents occurred.

Anti-corruption policies

The Group is committed to supporting its corporate values by adhering to the highest standards of business ethics, integrity and fairness in the management of all its businesses. The Group strictly abides by the laws and regulations related to business ethics in the places where it operates, and has formulated management mechanisms such as the Code of Business Conduct (《企業行為準則》), the Letter of Commitment of Honest and Self-discipline (《廉潔自律承諾書》), Confidentiality Agreement (《保密協議》), Anti-bribery and Anti-corruption Management System (《反賄賂及反腐敗管理制度》), and Anti-Fraud Management System (《反舞弊管理制度》), requiring all Directors, management and employees to abide by ethical rules when engaging in the Group's business activities and must not engage in any act of fraud, extortion, bribery and money laundering, and must not solicit and accept benefits from, or offer benefits to, customers, contractors, suppliers or persons with whom the Group has business relationships. To prevent risks related to anti-corruption and anti-bribery, the Group has taken the following measures:

- The Code of Employees Conduct (《員工行為準則》) clearly sets out the code of conduct related to anti-corruption and anti-bribery.
- Implement adequate financial controls and strictly comply with segregation of duties and authorization approval requirements for payment disbursements.
- Strengthen controls in non-financial areas such as procurement, operation, sales, human resources, legal and regulatory activities. For example, for sales activities, at least two persons are required to participate in bid evaluation and signing of sales contracts; for procurement activities, more than two bidders are required to conduct fair and transparent bidding before confirming suppliers and signing procurement contracts; and strict registration and approval management shall be implemented for activities like offering gifts and business entertainment.
- Require business partners to implement anti-bribery control measures, sign integrity agreements with suppliers, and require business partners to make anti-bribery commitments.
- Sign integrity agreement with employees, and employees are required to regularly report conflicts of interest such as external investment.
- Regularly conduct education and training on anti-corruption and anti-bribery to raise the awareness of anticorruption and anti-bribery compliance among directors and employees.
- Conduct regular integrity review on high-risk projects, activities, business partners, employees in specific positions, etc.
- Establish reporting hotline, general manager mailbox and audit committee mailbox to encourage employees, business partners and other stakeholders to report intended, suspected or actual acts of fraud, extortion, bribery and money laundering.

During the Reporting Period, there were no cases of corruption litigation against the Group or its employees and there were no improper business practices in the Group's business activities.

Community investment

The Group actively participates in community construction and social welfare, and strives to build a harmonious relationship with the community to achieve the harmonious development of the enterprise and the community. In China, the Group, East China University of Science and Technology and Zhengzhou University have set up the "Morimatsu Class", which not only provides scholarships and corporate internship opportunities for the students of the "Morimatsu Class", but also sends experienced engineers to give lectures, and share cutting-edge technologies and industry development trends, striving to break through the academic and professional barriers of colleges and universities, and cultivate cross-sector talents who are proficient in interdisciplinary knowledge for the entire industry; the Group cooperates with Shanghai Jiaotong University, East China University of Science and Technology and other colleges and universities for research and development, to, on the one hand, provide a practical platform for theoretical research and technical practice in colleges and universities, and, on the other hand, improve the research and development capabilities and efficiency of the Group, optimize the design of pressure equipment, improve product quality, and maintain a competitive advantage; the Group provides student internship positions to Shanghai Jiaotong University, East China University of Science and Technology, Dalian University of Technology, University of Shanghai for Science and Technology, Nanjing Tech University and Nanchang University, providing training opportunities for college students to practice theories. During the Reporting Period, the Group made a series of donations to universities at home and abroad for related industry, colleges and research projects. Among them, the Group donated RMB0.1 million to Shanghai Jiaotong University, JPY1 million to Osaka Metropolitan University, JPY0.1 million to Tokai National University (東海國立大學), JPY3.3 million to Saitama University in Japan, JPY34.32 million to Tohoku University in Japan, JPY0.5 million to Kagoshima University, JPY2 million to Kyoto University, and JPY5 million to Tokyo University of Agriculture and Technology.

In order to give back to the community, during the Reporting Period, the Group made donations of RMB101,400 and US$6,000 to the Education Development Foundation of Shanghai Zhongqiao Vocational and Technical University and United Way (a Houston community organization) respectively. The Group also encourages its staff to participate in social welfare and charitable activities in their spare time to contribute to the community with their own strengths.

The Group actively participates in industry associations and industry exchange activities. The Company's some subsidiaries have participated in the National Association of Health Industry and Enterprise Management (全國衛生產業企業管理協會), a vice chairman unit of Jiangsu Petrochemical Equipment Industry Association (江蘇省石化裝備行業協會), a vice chairman unit of the Shanghai Society of Biotechnology (上海市生物工程學會) and a participating member of International Society for Pharmaceutical Engineering (ISPE). In addition, the Group is a member of the China Petroleum & Chemical Engineering Survey and Design Association (中國石油和化工勘察設計協會), the China Association of the National Shipbuilding Industry (中國船舶工業行業協會), the China Chemical Fibers Association (中國化學纖維工業協會), the Shanghai Producer Services Promotion Association (上海生產性服務業促進協會), the Shanghai Society of Biotechnology (上海市生物工程學會), the Shanghai Synthetic Biology Industry Association (上海市合成生物產業協會) and the Shanghai Biopharmaceutics Industry Association (上海市生物醫藥行業協會).

KEY PERFORMANCE INDEX ("KPI") REFERENCE TABLE

Reference KPI of the ESG Code	Corresponding KPIs in the sections of the Report
A. ENVIRONMENTAL	
A1: Emissions	**Emissions**
	Waste water
	Waste gas
	Dust
	Noise
	Waste
	GHG
A2: Use of Resources	**Use of Resources**
	Electricity resources
	Water resources
	Paper resources
	Packaging materials
	Oil and gas resources
A3: Environmental and natural resources	**Environmental and natural resources**
A4: Climate Change	**Climate change**
B. Social	
Employment and Labour Practices	
B1: Employment	**Employment policy and employee care**
B2: Health and Safety	**Occupational health and safety policies**
B3: Development and Training	**Human capital development and training policy**
B4: Labour Standards	**Labour Standards**
Operating Practices	
B5: Supply Chain Management	**Supply chain management**
B6: Product Responsibility	**Product responsibility**
	Protection of intellectual property rights
	Data protection and privacy policies
B7: Anti-corruption	**Anti-corruption policies**
Community	
B8: Community Investment	**Community investment**

Independent auditor's report to the shareholders of
Morimatsu International Holdings Company Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Morimatsu International Holdings Company Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 118 to 217, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Revenue recognition

Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 151 to 153 (Note 1(v)).

The Key Audit Matter	How the matter was addressed in our audit
The principal activities of the Group are the production and sales of various pressure equipment. The Group designs and manufactures the pressure equipment in accordance with the customer's specification which does not have an alternative use to the Group. Revenue is recognised when a performance obligation is satisfied i.e. when "control" of the goods or services underlying the performance obligation is transferred to the customer. For contracts which the Group has a right to be paid for work done to date in the event a customer decides to cancel the contract before the contract was fully completed, revenue arising from the contract, and a corresponding contract asset are recognised progressively over time. Contract costs are recognised when work is performed, together with any provisions for expected contract losses. The recognition of revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations and in estimating the adequacy of provision of onerous contracts.	Our audit procedures to assess the recognition of revenue on sales of pressure equipment and related service included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting key customer contracts to identify performance obligations and terms and conditions relating to goods acceptance and the right of return in order to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • obtaining confirmation from customers directly of, on a sample basis, total contract amount, accumulated invoiced amount, accumulated received payments and accumulated amount of goods delivered during the financial year; • for contracts which the Group has a right to be paid for work done to date, — inspecting the terms of customer contracts, on a sample basis, to evaluate whether criteria for recognising revenue over time is met;

KEY AUDIT MATTERS *(Continued)*

Revenue recognition *(Continued)*

Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 151 to 153 (Note 1(v)).

The Key Audit Matter	How the matter was addressed in our audit
For the sale of customised pressurised equipment that the Group does not have the right to be paid for work performed to date, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenue is recognised when the customer takes possession of and accepts the products. The progress towards complete satisfaction of a performance obligation is mainly measured based on cost-to-cost method, based on the proportion of the actual costs incurred relative to the estimated total costs. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to advance or delay the timing of revenue recognition to the incorrect accounting period to meet performance expectations or targets. It is also because there are a variety of contract terms regarding the Group's sales of pressure equipment and provision of related service and the determination whether revenue should be recognised over time or at a point of time involves significant judgement, especially for the revenue recognized over time. In particular, for contracts which the Group has a right to be paid for work done to date the estimation of total costs to complete contracts is inherently subjective and requires significant management judgement and estimation.	— discussing with management the performance of the major contracts in progress which revenue was recognised over time during the year and challenging the key assumptions adopted in the forecast of contract costs, including estimated costs of completion, the recognition of variation orders and the adequacy of provision of onerous contracts, by comparing with contract agreements and sub-contracts, confirmations from and correspondence with customers regarding contract variations and claims; — obtaining a detailed breakdown of the total estimated costs to completion for major contracts in progress which revenue was recognised over time during the year and comparing, on a sample basis, actual costs incurred to-date and cost estimates to management's budgets, and assessing whether there is any indication of management bias in the total estimated costs by performing a retrospective review of the historical accuracy of total estimated costs for completed contracts; — on sample basis, re-performing the calculation of the revenue recognised over time for the year ended 31 December 2024 based on the Group's revenue recognition policies;

KEY AUDIT MATTERS *(Continued)*

Revenue recognition *(Continued)*

Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 151 to 153 (Note 1(v)).

The Key Audit Matter	How the matter was addressed in our audit
	• for contracts which the Group does not have a right to be paid for work done to date, — comparing, on a sample basis, revenue transactions recorded during the year with goods acceptance notes, invoices, sales contracts and other underlying documents to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; and — comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery and acceptance notes to assess whether the related revenue had been recognised in accordance with the terms of the sales contracts and in the correct financial period.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2025

Consolidated Statement of Profit or Loss

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	3	**6,948,354**	7,360,262
Cost of sales		**(4,898,577)**	(5,304,558)
Gross profit		**2,049,777**	2,055,704
Other income	4	**117,406**	85,462
Selling and marketing expenses		**(164,287)**	(175,228)
General and administrative expenses		**(565,118)**	(543,143)
Research and development expenses		**(399,241)**	(418,149)
(Provision for)/reversal of impairment loss on trade receivables and contract assets	29(a)	**(116,344)**	861
Profit from operations		**922,193**	1,005,507
Finance costs	5(a)	**(10,448)**	(13,291)
Shares of results of associates	14	**(491)**	4
Shares of results of joint venture	15	**—**	(7,886)
Profit before taxation	5	**911,254**	984,334
Income tax	6(a)	**(181,373)**	(141,786)
Profit for the year		**729,881**	842,548
Attributable to:			
Equity shareholders of the Company		**737,241**	844,684
Non-controlling interests	13	**(7,360)**	(2,136)
Profit for the year		**729,881**	842,548
Earnings per share	9		
Basic (RMB)		**0.62**	0.73
Diluted (RMB)		**0.59**	0.67

The notes on pages 126 to 217 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Profit for the year		**729,881**	842,548
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**5,108**	25,531
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland China		**6,415**	3,595
Other comprehensive income for the year		**11,523**	29,126
Total comprehensive income for the year		**741,404**	871,674
Attributable to:			
Equity shareholders of the Company		**742,474**	873,810
Non-controlling interests	13	**(1,070)**	(2,136)
Total comprehensive income for the year		**741,404**	871,674

The notes on pages 126 to 217 form part of these financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	10	**2,398,082**	2,105,463
Right-of-use assets	11	**243,646**	189,565
Intangible assets	12	**53,710**	30,612
Interests in associates	14	**64,870**	65,361
Interest in joint venture	15	**7**	57,428
Financial assets measured at fair value through profit or loss ("**FVPL**")	29(e)	**13,313**	10,100
Deferred tax assets	24(b)	**22,318**	13,991
Other non-current assets	16	**33,101**	65,577
		2,829,047	2,538,097
Current assets			
Inventories	17	**797,243**	1,800,466
Contract assets	18(a)	**938,869**	866,310
Trade and other receivables	19	**1,347,940**	1,499,372
Financial assets measured at fair value through profit or loss ("**FVPL**")	29(e)	**396,598**	59,149
Restricted cash	20	**3,188**	—
Cash and bank deposits	20	**2,595,448**	2,168,682
		6,079,286	6,393,979
Current liabilities			
Trade and other payables	21	**1,646,583**	1,669,850
Contract liabilities	18(b)	**1,476,247**	2,290,334
Financial liabilities measured at fair value through profit or loss ("**FVPL**")	29(e)	**557**	—
Interest-bearing borrowings	22	**87,906**	185,524
Lease liabilities	23	**27,233**	4,312
Current taxation	24(a)	**108,931**	90,089
Provisions	25	**30,386**	30,904
		3,377,843	4,271,013
Net current assets		**2,701,443**	2,122,966
Total assets less current liabilities		**5,530,490**	4,661,063

The notes on pages 126 to 217 form part of these financial statements.

	Note	As at 31 December **2024** **RMB'000**	2023 RMB'000
Non-current liabilities			
Interest-bearing borrowings	22	**126,279**	179,559
Lease liabilities	23	**54,376**	14,938
Deferred tax liabilities	24(b)	**28,001**	31,593
Deferred income	26	**45,978**	44,364
		254,634	270,454
Net assets		**5,275,856**	4,390,609
Capital and reserves	28		
Share capital		**1,351,129**	1,302,751
Reserves		**3,697,230**	3,079,740
Total equity attributable to equity shareholders of the Company		**5,048,359**	4,382,491
Non-controlling interests	13	**227,497**	8,118
Total equity		**5,275,856**	4,390,609

Approved and authorised for issue by the board of directors on 27 March 2025.

Hirotaka Kawashima)
) *Directors*
Ye Sheng)

The notes on pages 126 to 217 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000 Note 28(b)	Treasury stock RMB'000 Note 28(b)	Capital reserve RMB'000 Note 28(f)	Other reserve RMB'000 Note 28(g)	Exchange reserve RMB'000 Note 28(c)	Retained earnings* RMB'000	Total equity RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 31 December 2023 and 1 January 2024		**1,302,751**	**(38,944)**	**640,993**	**8,837**	**21,365**	**2,447,489**	**4,382,491**	**8,118**	**4,390,609**
Profit for the year		–	–	–	–	–	737,241	737,241	(7,360)	729,881
Other comprehensive income for the year		–	–	–	–	5,233	–	5,233	6,290	11,523
Total comprehensive income for the year		–	–	–	–	5,233	737,241	742,474	(1,070)	741,404
Profit distribution	28(e)	–	–	–	–	–	(110,810)	(110,810)	–	(110,810)
Acquisition of a subsidiary	13	–	–	–	–	–	–	–	55,176	55,176
Investment from non-controlling shareholder	13	–	–	–	–	–	–	–	183,411	183,411
Purchase of minority shares	13	–	–	(11,417)	–	–	–	(11,417)	(18,138)	(29,555)
Equity settled share-based payment	27	–	–	60,840	–	–	–	60,840	–	60,840
Issuance and repurchase of ordinary shares to the Company	28(b)(ii)	32,074	(32,074)	–	–	–	–	–	–	–
Repurchase of ordinary shares to the Company	28(b)(iii)	–	(15,220)	–	–	–	–	(15,220)	–	(15,220)
Cancellation of ordinary shares to the Company	28(b)(iii)	(7,535)	7,535	–	–	–	–	–	–	–
Exercise of share option	28(b)(iv)	23,839	1	(23,839)	–	–	–	1	–	1
Balance at 31 December 2024		**1,351,129**	**(78,702)**	**666,577**	**8,837**	**26,598**	**3,073,920**	**5,048,359**	**227,497**	**5,275,856**

* As at 31 December 2024, the retained earnings contain RMB361,006,000 which is undistributable.

The notes on pages 126 to 217 form part of these financial statements.

	Note	Attributable to equity shareholders of the Company								
		Share capital RMB'000 Note 28(b)	Treasury stock RMB'000 Note 28(b)	Capital reserve RMB'000 Note 28(f)	Other reserve RMB'000 Note 28(g)	Exchange reserve RMB'000 Note 28(c)	Retained earnings* RMB'000	Total equity RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 31 December 2022 and 1 January 2023		643,657	(36,580)	604,772	8,837	(7,761)	1,602,805	2,815,730	6,916	2,822,646
Profit for the year		—	—	—	—	—	844,684	844,684	(2,136)	842,548
Other comprehensive income for the year		—	—	—	—	29,126	—	29,126	—	29,126
Total comprehensive income for the year		—	—	—	—	29,126	844,684	873,810	(2,136)	871,674
Appropriation to PRC statutory reserve		—	—	—	—	—	—	—	—	—
Allotment of shares	28(b)(i)	567,206	—	—	—	—	—	567,206	—	567,206
Investment from non-controlling shareholder		—	—	—	—	—	—	—	3,338	3,338
Equity settled share-based payment	27	—	—	91,688	—	—	—	91,688	—	91,688
Issuance and repurchase of ordinary shares to the Company	28(b)(ii)	37,110	(37,110)	—	—	—	—	—	—	—
Exercise of share option and RSUs	28(b)(iv)	54,778	34,746	(55,467)	—	—	—	34,057	—	34,057
Balance at 31 December 2023		1,302,751	(38,944)	640,993	8,837	21,365	2,447,489	4,382,491	8,118	4,390,609

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

The notes on pages 126 to 217 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Operating activities:			
Cash generated from operations		**1,326,941**	776,076
Income tax paid	24(a)	**(174,450)**	(104,800)
Net cash generated from operating activities	20(b)	**1,152,491**	671,276
Investing activities:			
Payment for the purchase of long-term assets		**(430,704)**	(570,779)
Cash paid for acquisition of investment	29(e)(i)	**(2,413)**	—
Payment for the equity method investments	15	**(7)**	(104,501)
Net cash (paid)/received for the purchase or sales of monetary fund		**(336,838)**	194,748
Increase in deposits with original maturity of over three months when acquired, net		**(170,684)**	—
Asset acquisition through acquisition of a subsidiary	13(b)	**(17,534)**	—
Net cash received from acquisition of subsidiary	13(a)/20(e)	**121,563**	—
Proceeds from sale of long-term assets		**1,015**	2,623
Proceeds from disposal of monetary fund		**9,894**	10,014
Interest received		**59,987**	59,765
Net cash used in investing activities		**(765,721)**	(408,130)
Financing activities:			
Capital element of lease rentals paid	20(c)	**(12,943)**	(6,401)
Payment for minority shares	13(a)	**(29,555)**	—
Proceeds from bank loans	20(c)	**17,622**	102,999
Repayment of bank loans	20(c)	**(165,132)**	(180,000)
Proceeds from exercise of share options and RSUs		**1**	34,057
Proceeds from allotment of shares	28(b)(i)	**—**	567,206
Repurchase of ordinary shares	28(b)(iii)	**(15,220)**	—
Cash received from non-controlling shareholder		**183,411**	3,338
Interest element of lease rentals paid	20(c)	**(1,948)**	(922)
Interest paid	20(c)	**(9,482)**	(13,302)
Cash paid for profit distribution	28(e)	**(110,810)**	—
Net cash (used in)/generated from financing activities		**(144,056)**	506,975
Effect of foreign exchange rate changes on cash and cash equivalents		**13,368**	28,202

The notes on pages 126 to 217 form part of these financial statements.

	Note	Year ended 31 December **2024** **RMB'000**	 2023 RMB'000
Net increase in cash and cash equivalents		**256,082**	798,323
Cash and cash equivalents at 1 January		**2,168,682**	1,370,359
Cash and cash equivalents at 31 December		**2,424,764**	2,168,682
Analysis of balances of cash and cash equivalents			
Cash and bank balances	20	**1,477,549**	1,609,707
Deposits with original maturity of less than three months when acquired	20	**947,215**	558,975
Cash and cash equivalents as stated in the Statement of Cash Flows		**2,424,764**	2,168,682

The notes on pages 126 to 217 form part of these financial statements.

Notes to the Consolidated Financial Statements

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and a joint venture.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The financial statements is presented in Renminbi ("**RMB**"), rounded to the nearest thousand except for earnings per share information.

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

— Investment in unlisted equity securities (Note 1(f)(ii));

— Monetary fund (Note 1(f)(i)); and

— Forward exchange contracts (Note 1(g)).

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

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

(c) Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* ("**2020 amendments**") and 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 new and amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been 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.

The amendments do not have a material impact on these financial statements.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) 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. The amendments do not have a material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(q) or (r) depending on the nature of the liability.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or the company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the company has joint control, whereby the Group or the company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 1(k)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 1(k)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 1(v)(ii)(c)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 1(v)(ii)(b)).

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 1(k)(ii)):

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

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 1(j)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

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

—	Plant and buildings	20 years
—	Machinery and equipment	10 years
—	Office and other equipment	3–5 years
—	Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 1(k)(ii)).

Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 1(k)(ii)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

—	Design software, Microsoft Office, and Enterprise Resource Planning software	10 years
—	Office administrative software	3–5 years
—	Patents and trademarks	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(h) and 1(k)(ii)), except for the following types of right-of-use asset:

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value (see Note 1(k)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 1(f)(i), 1(v)(ii)(c) and 1(k)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

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

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

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

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

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECL**"s) on:

— financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, trade receivables and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest);

— contract assets (see Note 1(m)); and

— lease receivables.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Write-off policy

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

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 1(l)(i)), property, plant and equipment (see Note 1(h)) or intangible assets (see Note 1(i)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Inventories and other contract costs *(Continued)*

(ii) Other contract costs *(Continued)*

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 1(v)(i)).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(v)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 1(k)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 1(n)).

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 1(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Restricted cash is excluded from cash and cash equivalents. Cash and cash equivalents are assessed for ECL (see Note 1(k)(i)).

(p) Restricted cash

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as security deposits for the Group's guarantee services. Such restricted cash will be released when the Group repays the related trade facilities.

(q) Trade and other payables (other than refund labilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 1(x).

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Provisions, contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 1(k)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of pressure equipment and related services that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue and other income *(Continued)*

(i) Revenue from contracts with customers *(Continued)*

(a) Sales of pressure equipment and related services

The Group recognised revenue when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Control is transferred over time and revenue is recognised over time measuring to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Groups performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group designs and manufactures the pressure equipment in accordance with the customer's specification which does not have an alternative use to the Group. Under contracts for which the Group has a right to be paid for work done to date in the event a customer decides to cancel the contract before the contract was fully completed, revenue arising from the contract, and a corresponding contract asset (see Note 1(m)), are recognised progressively over time. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see Note 1(n)).

The progress towards complete satisfaction of a performance obligation is mainly measured based on cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

For the sale of pressure equipment that the Group does not have the right to be paid for work performed to date, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenue is recognised when the customer takes possession of and accepts the products.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue and other income *(Continued)*

(i) Revenue from contracts with customers *(Continued)*

(a) Sales of pressure equipment and related services (Continued)

For the sale of raw materials and scrap materials, revenue is recognised at a point in time when the customer obtains control of the products, which is generally when the customer takes possession of and accepts the products.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional (see Note 1(m)). It is assessed for impairment in accordance with HKFRS 9 (see Note 1(k)(i)).

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(c) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue and other income *(Continued)*

(ii) Revenue from other sources and other income *(Continued)*

(d) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

— an investment in equity securities designated as at FVOCI

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies *(Continued)*

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(aa) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determining the lease term

As explained in policy Note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty

Notes 27 and 29 contain information about the assumptions and their risk factors relating to valuation of fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy Note 1(v)(i), revenue from sales of pressure equipment and related services are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in Note 18 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Warranty provisions

As explained in Note 25, the Group makes provisions under the warranties it gives on sales of pressure equipment taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production and sales of various pressure equipment. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— core equipment	**2,525,033**	2,590,675
— reactor	**1,196,707**	1,114,356
— heat exchanger	**587,054**	739,517
— tank	**208,828**	352,902
— tower	**532,444**	383,900
— modular pressure equipment	**4,244,422**	4,553,792
— others*	**32,768**	31,325
Sales of products	**6,802,223**	7,175,792
— Pressure equipment design, validation, and maintenance service	**146,131**	184,470
Service	**146,131**	184,470
Revenue of operations	**6,948,354**	7,360,262

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

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(i) Disaggregation of revenue *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Point in time	**3,515,626**	4,301,053
Over time	**3,432,728**	3,059,209
Total	**6,948,354**	7,360,262

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's revenues of the year ended 31 December 2024 (2023: one). Revenues from this customer during year ended 31 December 2024 are set out below:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Customer A	*****	798,967

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

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

As at 31 December 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB8,131,050,000 (as at 31 December 2023: RMB9,077,735,000). This amount represents revenue expected to be recognised in the future from contracts with customers in existence at the reporting date. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(iii) 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.

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.

	Revenues from external customers Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Mainland China	**2,750,519**	3,886,406
North America	**1,383,524**	863,532
Asia (excluding mainland China)	**2,023,164**	1,824,800
Europe	**335,153**	246,198
Africa	**100,155**	336,286
Others (Note)	**355,839**	203,040
	6,948,354	7,360,262

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

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial statement 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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants (i)	**24,743**	28,090
Interest income	**59,987**	59,765
Net realised gains on monetary fund	**9,894**	10,014
Net realised gains on forward exchange contracts	**172**	150
Net foreign exchange gains/(losses)	**25,313**	(16,263)
Changes in fair value of financial assets and liabilities	**854**	249
Net loss on disposal of property, plant and equipment	**(553)**	(377)
Others	**(3,004)**	3,834
	117,406	85,462

(i) Government grants mainly includes (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.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(a) Finance costs:		
Interest on interest-bearing borrowings	**8,500**	12,369
Interest on lease liabilities	**1,948**	922
	10,448	13,291
(b) Staff costs:		
Salaries, wages and other benefits	**1,063,233**	1,028,502
Equity-settled share-based payment expenses (Note 27)	**60,840**	91,688
Contributions to defined contribution retirement plans (i)	**120,495**	111,486
	1,244,568	1,231,676

(i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC 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.

5 PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging: *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(c) Other items:		
Amortisation of intangible assets	**21,301**	17,367
Depreciation charge		
— owned property, plant and equipment	**153,237**	116,263
— right-of-use assets	**20,248**	11,811
Auditor's remuneration		
— audit services	**4,200**	4,050
— non-audit services	**20**	20
Research and development costs (i)	**399,241**	418,149
Increase in provisions (Note 25)	**13,120**	12,964
Cost of inventories (ii)	**4,898,577**	5,304,558
Expense relating to short-term leases	**51,576**	65,713

(i) Research and development costs included staff costs of RMB207,766,000 (2023: RMB194,026,000), depreciation and amortisation expenses of RMB9,708,000 (2023: RMB10,704,000), 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 RMB705,675,000 (2023: RMB628,220,000), depreciation and amortisation expenses of RMB147,663,000 (2023: RMB98,259,000), which are also included in the respective total amounts disclosed separately above or in Note 5(b).

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current tax:		
Provision for the year	**168,301**	130,131
Withholding tax on the profits of the Group's PRC subsidiaries (Note 24(a))	**14,921**	—
Under/(over)-provision in respect of prior year	**10,070**	(3,709)
	193,292	126,422
Deferred tax:		
Origination and reversal of temporary differences	**(29,344)**	443
Withholding tax on the profits of the Group's PRC subsidiaries (Note 24(b))	**13,079**	14,921
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 24(b))	**4,346**	—
	(11,919)	15,364
Actual tax expense	**181,373**	141,786

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	Note	Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
Profit before taxation		**911,254**	984,334
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(i)(ii)	**141,218**	147,458
Additional deduction for qualified research and development expenses	(iii)	**(23,683)**	(34,836)
Under/(over)-provision in respect of prior year		**10,070**	(3,709)
Non-deductible expenses		**10,206**	21,967
Tax effect of unrecognised loss	(v)	**8,935**	(6,445)
Tax effect of unrecognised temporary difference		**2,281**	2,430
Withholding tax on the profits of the Group's PRC subsidiaries	(iv)	**28,000**	14,921
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 24(b))		**4,346**	—
Actual tax expense		**181,373**	141,786

(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.

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

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates: *(Continued)*

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:

		Year ended 31 December	
Country and region	**Company**	**2024**	2023
Hong Kong	Morimatsu International Holdings Company Limited(*)	**16.5%**	16.5%
	Morimatsu Investment Company Limited(*)(**)	**16.5%**	16.5%
	Morimatsu International Investment Company Limited(*)(***)	**16.5%**	N/A
Sweden	Pharmadule Morimatsu AB	**20.6%**	20.6%
The United States	Pharmadule Morimatsu Inc(****)	**21.0%**	21.0%
	Morimatsu Houston Corporation(****)	**21.0%**	21.0%
India	Pharmadule Engineering India Private Limited	**25.17%**	25.17%
Malaysia	Morimatsu Dialog (Malaysia) SDN. BHD.(*)	**24.0%**	24.0%
Japan	Pharmadule Technology And Service Company Limited (previous name: Morimatsu Technology and Service Company Limited	**33.58%**	33.58%
	Morimatsu Technology and Service Company Limited	**33.58%**	33.58%
Italy	Morimatsu Italy S.R.L	**24.0%**	24.0%
Mexico	Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd.	**30.0%**	30.0%
Singapore	Morimatsu Pharmadule (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%
	Morimatsu Lifesciences (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%
	Morimatsu (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%

* No provision for income tax was made for these companies as these companies did not have income subject to corporate income tax during the year ended 31 December 2024 and 2023 respectively.

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

*** The company was not registered during the year ended 31 December 2023.

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

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

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates: *(Continued)*

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

	Applicable preferential tax rate	**Period**
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (“**Morimatsu Heavy Industry**”) (森松 (江蘇) 重工有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. (“**Morimatsu Pharmaceutical Equipment**”) (上海森松製藥設備工程有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Biotechnology Co., Ltd. (“**Morimatsu Biotechnology**”) (上海森松生物科技有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Engineering Technology Co., Ltd. (“**Morimatsu Engineering**”) (上海森松工程技術有限公司)*	15%	2024 and 2023
Morimatsu (Suzhou) LifeSciences Co., Ltd. (“**Morimatsu LifeSciences**”) (森松 (蘇州) 生命科技有限公司)* (Note)	15%	2024

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

Note: Morimatsu LifeSciences is entitled as a High and New Technology Enterprise in 2024.

(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)).

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

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates: *(Continued)*

(iv) *(Continued)*

Pursuant to the shareholders' resolution on 18 July 2024 and 25 December 2024, Morimatsu (China) Investment Co., Ltd. decided dividends of RMB280,000,000 would be distributed to Morimatsu International Holdings Company Limited in the future periods. Accordingly, Morimatsu International Holdings Company Limited accrued deferred tax liabilities of RMB28,000,000 based on 10% PRC withholding tax rate.

(v) Under PRC CIT law, the deductible tax losses expire within 5 years from the year when such losses were incurred. It was mainly arising from the Morimatsu (China) Investment Co., Ltd. whose principal activity was investment holding, Shanghai Mori-Biounion Technology Co., Ltd. and Morimatsu (Suzhou) LifeSciences Co., Ltd., who are still at start-up stages.

(c) Pillar Two income tax

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("**Pillar Two model rules**") for a new global minimum tax reform applicable to large multinational enterprises. Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on 1 January 2024.

Consequently, the Group has become liable to Pillar Two income tax for the first time and the impact is immaterial for the year ended 31 December 2024 (2023: nil). Certain jurisdictions in which the Group operates, including Sweden and Italy, have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on 1 January 2024.

Other jurisdictions in which the Group operates, e.g. Hong Kong SAR, are in the process of implementing their Pillar Two income tax legislation. Therefore, it is possible that the Group may be subject to additional Pillar Two income taxes in those jurisdictions. The Group continues to monitor the local legislation for Hong Kong and development of Pillar Two Rules in other jurisdictions the Group operates and assess the potential impact.

7 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2024

	Director's fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefit schemes RMB'000	Sub-Total RMB'000	Share-based payments RMB'000 Note 27	Total RMB'000
Executive directors							
Mr. Weihua Tang	151	1,947	575	70	2,743	4,417	7,160
Mr. Ye Sheng	151	1,632	1,736	70	3,589	2,230	5,819
Mr. Koei Nishimatsu	151	4,931	427	–	5,509	6,550	12,059
Mr. Jungo Hirazawa	151	872	112	–	1,135	957	2,092
Mr. Hirotaka Kawashima	151	1,243	239	–	1,633	1,115	2,748
Non-executive director							
Mr. Terumoto Matsuhisa	175	–	–	–	175	4,733	4,908
Independent directors							
Ms. Chan Yuen Sau Kelly	175	–	–	–	175	–	175
Mr. Kanno Shinichiro	175	–	–	–	175	–	175
Mr. Yu Jianguo	175	–	–	–	175	–	175
	1,455	10,625	3,089	140	15,309	20,002	35,311

7 DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 December 2023

	Director's fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefit schemes RMB'000	Sub-Total RMB'000	Share-based payments RMB'000 Note 27	Total RMB'000
Executive directors							
Mr. Weihua Tang	144	728	2,105	68	3,045	3,728	6,773
Mr. Ye Sheng	144	622	2,242	68	3,076	3,728	6,804
Mr. Koei Nishimatsu	144	3,395	589	—	4,128	5,326	9,454
Mr. Jungo Hirazawa	144	931	119	—	1,194	1,601	2,795
Mr. Hirotaka Kawashima	144	1,020	374	—	1,538	1,864	3,402
Non-executive director							
Mr. Terumoto Matsuhisa	163	—	—	—	163	7,913	8,076
Independent directors							
Ms. Chan Yuen Sau Kelly	163	—	—	—	163	—	163
Mr. Kanno Shinichiro	163	—	—	—	163	—	163
Mr. Yu Jianguo	163	—	—	—	163	—	163
	1,372	6,696	5,429	136	13,633	24,160	37,793

Mr. Weihua Tang, Mr. Ye Sheng, Mr. Koei Nishimatsu, Mr. Jungo Hirazawa, and Mr. Hirotaka Kawashima were appointed as executive director of the Company on 1 September 2020. Mr. Terumoto Matsuhisa was appointed as non-executive director of the Company on 1 September 2020. They are also key management personnel of the Group during the reporting period. The remuneration disclosed above include those for services rendered by them as key management personnel.

During 2024 and 2023, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

Ms. Chan Yuen Sau Kelly, Mr. Kanno Shinichiro and Mr. Yu Jianguo were appointed as independent non-executive directors on 10 February 2021.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the years ended 31 December 2024, three are directors (2023: three) whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining two individuals during 2024 (2023: two) are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries and other emoluments	**2,531**	565
Discretionary bonuses	**3,192**	3,358
Share-based payments (Note 27)	**4,027**	6,922
Retirement scheme contributions	**141**	135
	9,891	10,980

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December	
	2024	2023
HKD4,000,001–HKD4,500,000	**1**	—
HKD4,500,001–HKD5,000,000	**—**	—
HKD5,000,001–HKD5,500,000	**—**	—
HKD5,500,001–HKD6,000,000	**—**	1
HKD6,000,001–HKD6,500,000	**1**	—
HKD6,500,001–HKD7,000,000	**—**	1

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB737,241,000 (2023: RMB844,684,000) and the weighted average of 1,191,331,000 ordinary shares (2023: 1,163,300,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2024	2023
Issued ordinary shares at 1 January	**1,190,092,000**	1,073,796,000
Effect of treasury shares at 1 January	**(39,816,000)**	(20,883,000)
Effect of allotment of shares (Note 28(b)(i))	**—**	77,370,000
Effect of shares repurchase and cancelled (Note 28(b)(iii))	**(634,000)**	—
Effect of exercise of share options (Note 28(b)(iv))	**6,034,000**	3,550,000
Effect of vested RSUs (Note 28(b)(iv))	**—**	9,245,000
Effect of vested shares options exercisable for no more than little consideration (Note (i) below)	**35,655,000**	20,222,000
Weighted average number of ordinary shares at 31 December	**1,191,331,000**	1,163,300,000

Note (i): The number of ordinary shares outstanding were vested and exercisable from 28 June 2024 and 28 June 2023 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 Company of RMB737,241,000 (2023: RMB844,684,000) and the weighted average number of ordinary shares of 1,251,044,000 shares (2023: 1,252,495,000 shares after adjusting for the bonus issue), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2024	2023
Weighted average number of ordinary shares at 31 December	**1,191,331,000**	1,163,300,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and RSU Scheme (Note 27)	**59,713,000**	89,195,000
Weighted average number of ordinary shares (diluted) at 31 December	**1,251,044,000**	1,252,495,000

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2023	1,220,165	431,032	120,727	24,349	389,486	2,185,759
Additions	—	23,615	21,566	2,062	566,186	613,429
Transfer from construction in progress	193,857	39,967	13,227	85	(247,136)	—
Disposals	—	(2,652)	(1,518)	(690)	(540)	(5,400)
At 31 December 2023 and 1 January 2024	**1,414,022**	**491,962**	**154,002**	**25,806**	**707,996**	**2,793,788**
Additions	**—**	**41,647**	**16,240**	**1,911**	**379,941**	**439,739**
Effect of acquisition of Morimatsu Dialog	**—**	**984**	**7,171**	**209**	**—**	**8,364**
Transfer from construction in progress	**732,480**	**35,656**	**11,678**	**12,699**	**(792,513)**	**—**
Disposals	**—**	**(3,392)**	**(3,019)**	**148**	**(284)**	**(6,547)**
Foreign exchange gain	**—**	**50**	**348**	**(69)**	**—**	**329**
At 31 December 2024	**2,146,502**	**566,907**	**186,420**	**40,704**	**295,140**	**3,235,673**
Accumulated depreciation:						
At 1 January 2023	(304,051)	(180,132)	(76,211)	(15,800)	—	(576,194)
Charge for the year	(62,454)	(31,566)	(19,089)	(3,154)	—	(116,263)
Written back on disposal	—	2,224	1,330	578	—	4,132
At 31 December 2023 and 1 January 2024	**(366,505)**	**(209,474)**	**(93,970)**	**(18,376)**	**—**	**(688,325)**
Charge for the year	**(84,827)**	**(37,219)**	**(26,063)**	**(5,128)**	**—**	**(153,237)**
Effect of acquisition of Morimatsu Dialog	**(2)**	**(94)**	**(1,019)**	**(36)**	**—**	**(1,151)**
Written back on disposal	**—**	**2,712**	**2,613**	**(166)**	**—**	**5,159**
Foreign exchange loss	**—**	**(5)**	**(45)**	**13**	**—**	**(37)**
At 31 December 2024	**(451,334)**	**(244,080)**	**(118,484)**	**(23,693)**	**—**	**(837,591)**
Net book Value:						
At 31 December 2024	**1,695,168**	**322,827**	**67,936**	**17,011**	**295,140**	**2,398,082**
At 31 December 2023	1,047,517	282,488	60,032	7,430	707,996	2,105,463

11 RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leasehold plant and buildings RMB'000	Machinery and equipment RMB'000	Total RMB'000
Balance at 1 January 2023	174,826	23,271	791	198,888
Additions	—	1,938	550	2,488
Depreciation charge for the year	(4,531)	(6,895)	(385)	(11,811)
Balance at 31 December 2023 and 1 January 2024	170,295	18,314	956	189,565
Additions	—	60,725	541	61,266
Effect of acquisition of Morimatsu Dialog	12,333	475	—	12,808
Termination	—	(338)	(22)	(360)
Depreciation charge for the year	(9,548)	(10,364)	(336)	(20,248)
Foreign exchange gain/(loss)	627	(12)	—	615
Balance at 31 December 2024	**173,707**	**68,800**	**1,139**	**243,646**

The Group has obtained land use rights held for own use in Mainland China with remaining lease term of 30 to 50 years.

12 INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:				
At 1 January 2023	60,772	—	413	61,185
Additions	16,159	—	2,473	18,632
Transfer from construction in progress	1,869	—	(1,869)	—
Disposals	(7,812)	—	—	(7,812)
At 31 December 2023 and 1 January 2024	**70,988**	**—**	**1,017**	**72,005**
Additions	**16,959**	**26,517**	**978**	**44,454**
Effect of acquisition of Morimatsu Dialog	**107**	**—**	**—**	**107**
Transfer from construction in progress	**1,995**	**—**	**(1,995)**	**—**
Disposals	**(7,417)**	**—**	**—**	**(7,417)**
At 31 December 2024	**82,632**	**26,517**	**—**	**109,149**
Accumulated amortisation:				
At 1 January 2023	(30,106)	—	—	(30,106)
Charge for the year	(17,367)	—	—	(17,367)
Written back on disposal	6,080	—	—	6,080
At 31 December 2023 and 1 January 2024	**(41,393)**	**—**	**—**	**(41,393)**
Charge for the year	**(17,324)**	**(3,977)**	**—**	**(21,301)**
Effect of acquisition of Morimatsu Dialog	**(36)**	**—**	**—**	**(36)**
Written back on disposal	**7,291**	**—**	**—**	**7,291**
At 31 December 2024	**(51,462)**	**(3,977)**	**—**	**(55,439)**
Net book value:				
At 31 December 2024	**31,170**	**22,540**	**—**	**53,710**
At 31 December 2023	29,595	—	1,017	30,612

The amortisation charge for the year is included in "General and administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss.

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ operation, date of incorporation/business combination	Registered capital/ issued and fully paid up capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Pharmadule Engineering India Private Limited ("**Pharmadule India**")	India 15 May 2017	INR49,990,000/ INR49,990,000	—	100%	Purchase of materials and design of pressure equipment
Pharmadule Morimatsu AB ("**Pharmadule Sweden**")	Sweden 3 March 2011	SEK2,000,000/ SEK2,000,000	—	100%	Designing and engineering of modular manufacturing facilities for the pharmaceutical, biopharmaceutical and fast-moving consumer goods industries
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. ("**Morimatsu Heavy Industry**") (森松(江蘇)重工有限公司) (i)(iii)(iv)	The PRC 13 May 2008	USD141,378,000/ USD141,378,000	—	100%	Chemical industry, oil and gas refining, metallurgy, water treatment, new energy and other industries related to traditional pressure equipment (reactor, heat exchanger, vessel, tower) and modular pressure equipment
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. ("**Morimatsu Pharmaceutical Equipment**") (上海森松製藥設備工程有限公司)(i)(iv)	The PRC 29 November 2001	RMB86,309,407/ RMB79,744,149	20.06%	65.03%	Process equipment and modular process system and facility in pharmaceutical and consumer goods industry
Morimatsu (China) Investment Co., Ltd ("**Morimatsu China**") (森松（中國）投資有限公司)(i)(iii)(iv)	The PRC 7 June 2010	USD103,009,000/ USD103,009,000	100%	—	Investment holding
Pharmadule Morimatsu Inc ("**Pharmadule US**")	USA 30 June 2011	USD5,000/ USD5,000	—	100%	Sales center, after-sales service center and purchasing center of Morimatsu Pharmaceutical Equipment and Pharmadule Morimatsu AB in the United States
Pharmadule Technology And Service Company Limited (Previous name: Morimatsu Technology And Service Company Limited) ("**Morimatsu Japan**")	Japan 31 January 2014	JPY100,000,000/ JPY100,000,000	—	100%	Sales activities for the Group's products in Japan
Morimatsu Italy S.R.L. ("**Morimatsu Italy**")	Italy 26 November 2020	EUR200,000/ EUR200,000	—	100%	Sales activities for the Group's products in Italy

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation, date of incorporation/business combination	Registered capital/ issued and fully paid up capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Morimatsu (Suzhou) LifeSciences Co., Ltd. ("**Morimatsu LifeSciences**") (森松(蘇州)生命科技有限公司) (i)(iii)(iv)	The PRC 26 September 2021	RMB682,779,572/ RMB682,779,572	—	100%	Designing and engineering of modular manufacturing facilities for the pharmaceutical and biopharmaceutical industries
Shanghai Morimatsu Engineering Technology Co., Ltd. ("**Morimatsu Engineering**") (上海森松工程技術有限公司)(i)(iii)(iv)	The PRC 19 November 2021	RMB50,000,000/ RMB38,000,000	—	100%	Designing of modular manufacturing facilities
Shanghai Morimatsu Biotechnology Co., Ltd. ("**Morimatsu Biotechnology**") (上海森松生物科技有限公司)(i)(iii)(iv)	The PRC 17 January 2022	RMB50,000,000/ RMB50,000,000	—	100%	Research and development of biological technology and the manufacturing and sales of related special equipment
Shanghai Mori-Biounion Technology Co., Ltd. ("**Mori-Biounion Technology**") (上海森眾生物技術有限公司)(i)(iii)(iv)	The PRC 24 May 2022	RMB41,300,000/ RMB41,300,000	—	100%	Provision of biotechnology consulting and services, as well as the production and sales of related products
Morimatsu Houston Corporation	USA 28 February 2022 (business combination under the common control)	USD300,000/ USD300,000	—	100%	Sales activities for the Group's products in USA
Morimatsu Pharmadule Singapore Pte. Ltd. ("**Pharmadule Singapore**")	Singapore 16 January 2023	SGD 3,000,000/ SGD 3,000,000	—	100%	Provision of technical and service support for the Group's business expansion in Southeast Asia
Shanghai Morimatsu Hi-Purity Neo-Tech Co., Ltd. ("**Morimatsu Hi-Purity**") (上海森松皓純新材料科技有限公司)(i)(iv)	The PRC 3 August 2023	RMB10,000,000/ RMB8,800,000	—	88%	Development and sales of high-purity chemical reagent production technology and equipment
Shanghai Morimatsu Semi-Chem Equipment Co., Ltd. ("**Semi-Chem Equipment**") (上海森美科半導體設備有限公司)(i)(iv)	The PRC 2 November 2023	RMB10,000,000/ RMB2,750,000	—	48.4%(ii)	Manufacture and sale of semiconductor special equipment

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation, date of incorporation/business combination	Registered capital/ issued and fully paid up capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Morimatsu Lifesciences (Singapore) Pte. Ltd. ("**Morimatsu Lifesciences Singapore**")	Singapore 22 December 2023	USD300,000/ USD300,000	—	100%	Provision of technical and service support
Morimatsu (Singapore) Pte. Ltd.	Singapore 17 October 2023	SGD4,000,000/ SGD4,000,000	100%	—	Provision of technical and service support
Morimatsu Technology and Service Company Limited	Japan 1 December 2023	JPY100,000,000/ JPY100,000,000	—	100%	Provision of technical and service support
Morimatsu Dialog (Malaysia) Sdn. Bhd. ("**Morimatsu Dialog**")	Malaysia 1 January 2024	MYR306,300,000/ MYR306,300,000	51%	—	Production and sales of pressure equipment
Morimatsu International Investment Company Limited	Hong Kong 25 March 2024	RMB10,000/ Nil	100%	—	Investment holding
Shandong Keda Chemical Engineering Design Co, Ltd. ("**Shandong Keda**") (山東科達化工工程有限公司)(i)(iii)(iv)	The PRC 15 March 2024	RMB17,000,000/ RMB17,000,000	—	100%	Structural design, special equipment design and engineering cost consultancy

(i) The English translation of these entities is for reference only. The official name of the companies established in the PRC is in Chinese.

(ii) Semi-Chem Equipment is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

(iii) These entities are wholly-foreign-owned enterprises established in the PRC.

(iv) These entities are limited liability companies established in the PRC.

(a) Business combinations through acquisition of subsidiaries

Pursuant to the supplemental agreement to the joint venture agreement dated on 1 January 2024, the Group acquired its joint venture, Morimatsu Dialog for nil cash consideration. The fair value of the 49% equity interest in Morimatsu Dialog, measured at the acquisition date, is RMB55,176,000. In 2024, the Group has injected MYR 110,670,000 (equivalent to RMB175,329,000) in total to Morimatsu Dialog. In 2024, the non-controlling shareholder of Morimatsu Dialog, Dialog Fabricators SDN. BHD. has injected MYR 106,330,000 (equivalent to RMB169,136,000) in total.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) Business combinations through acquisition of subsidiaries *(Continued)*

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

In April and May 2024, the non-controlling shareholders of Morimatsu Biotechnology has injected RMB7,475,000 to Morimatsu Biotechnology. In June 2024, the holding company of Morimatsu Biotechnology, Morimatsu Pharmaceutical Equipment, 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 Morimatsu Biotechnology on 24 June 2024.

(b) Asset acquisition through acquisition of a subsidiary

In March 2024, Morimatsu Engineering, a subsidiary of the Company, acquired 100% equity interest in Shandong Keda at the cash consideration of RMB17,870,000, of which RMB11,570,000 was paid as at 31 December 2024. Pursuant to the articles of association, the Group obtained 100% of the equity interest of Shandong Keda on 15 March 2024.

Management accounted for the transaction as acquisition of assets in accordance with the amendments to HKFRS 3 (Revised), *Business Combinations* which required the cost of acquisition to be allocated to intangible assets of the acquired company on the basis of their relative fair values at the respective date of acquisition as summarised below:

	RMB'000
Intangible assets	26,517
Inventories	160
Trade and other receivables	2,040
Cash and bank deposits	336
Trade and other payables	(11,183)
Total identifiable net assets at fair value acquired	17,870
Satisfied by:	
Cash consideration	17,870

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Asset acquisition through acquisition of a subsidiary *(Continued)*

An analysis of the cash flows in respect of the acquisition are as follows:

	RMB'000
Cash consideration	(17,870)
Cash and bank deposits acquired	336
Net outflow of cash and cash equivalents included in cash flows from investing activities	(17,534)

The following table lists out the information relating to Morimatsu Dialog, the subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2024 **RMB'000** **Morimatsu Dialog**
NCI percentage	49.00%
Current assets	236,707
Non-current assets	291,287
Current liabilities	(59,432)
Non-current liabilities	(10,855)
Net assets	457,707
Carrying amount of NCI	224,276
Revenue	104,241
Loss from the year	(12,199)
Total comprehensive loss for the year	(12,199)
Loss allocated to NCI	(5,978)
Cash flows from operating activities	35,036
Cash flows from investing activities	(303,552)
Cash flows from financing activities	338,453

14 INTEREST IN ASSOCIATES

Details of the Group's interest in the associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associates	Forms of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
				Groups' effective interest	Held by a subsidiary	
Jiangsu Qunchuang Wisdom New Material Co., Ltd. ("江蘇群創智慧新材料有限公司")	Incorporated	The PRC	RMB620,000,000/ RMB120,000,000	9.68%	9.68%	Research and development, manufacturing and sales of new membrane materials
Mori-Union Microchannel Industrial Equipment Co., Ltd. ("上海森聯微通工業裝備有限公司")	Incorporated	The PRC	RMB10,000,000/ RMB1,000,000	36.00%	36.00%	Research and development of microchannel reactors
An Yi Morimatsu Gao Kun Number One Venture Capital Fund Partnership (Limited Partnership) ("安義森松高鯤壹號創業投資基金合夥企業 (有限合夥)")	Incorporated	The PRC	RMB20,200,000/ RMB20,000,000	24.75%	24.75%	Engaged in activities such as equity investment and investment management

Jiangsu Qunchuang Wisdom New Material Co., Ltd. ("**Jiangsu Qunchuang**") was established on 1 July 2022 by Morimatsu Pharmaceutical Equipment with two other investors in China. The registered capital of the company is RMB620,000,000. Morimatsu Pharmaceutical Equipment holds 9.68% equity interest of the company, which is passively diluted from 20%. The Group still has significant influence over Jiangsu Qunchuang as the Group has appointed one director. The capital of RMB60,000,000 from Morimatsu Pharmaceutical Equipment has been injected into the company on 22 July 2022, 23 February 2023 and 26 December 2023 respectively.

Mori-Union Microchannel Industrial Equipment Co., Ltd. ("**Mori-Union Microchannel**") was established on 11 July 2022 by Morimatsu Heavy Industry with three other investors in China. The registered capital of the company is RMB10,000,000. Morimatsu Heavy Industry holds 36% equity interest of the company. The capital of RMB360,000 from Morimatsu Heavy Industry has been injected into the company on 29 August 2022 and 4 September 2023 respectively.

An Yi Morimatsu Gao Kun Number One Venture Capital Fund Partnership (Limited Partnership) ("**An YI**") was established on 30 May 2023 by Morimatsu Heavy Industry with seven partners in China. The registered capital of the company is RMB20,200,000. Morimatsu Heavy Industry holds 24.75% equity interest of the company. The capital of RMB5,000,000 from Morimatsu Heavy Industry has been injected into the company on 7 July 2023.

The Group accounts for Jiangsu Qunchuang, Mori-Union Microchannel and An Yi as an investment in associates using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards.

14 INTEREST IN ASSOCIATES *(Continued)*

Jiangsu Qunchuang, Mori-Union Microchannel and An Yi are unlisted corporate entities whose quoted market price is not available.

Jiangsu Qunchuang, Mori-Union Microchannel and An Yi are still under start-up process. The total comprehensive losses of Jiangsu Qunchuang and An Yi in 2024 are RMB3,455,000 and RMB105,000 (in 2023: RMB4,000 and RMB2,000), and the net assets of RMB454,533,000 and RMB19,893,000 (2023: RMB119,987,000 and RMB19,998,000) are mainly paid up capital. The total comprehensive income of Mori-Union Microchannel in 2024 is RMB162,000 (in 2023: RMB14,000) and the net asset of RMB1,174,000 (2023: RMB1,012,000) is mainly paid up capital.

15 INTEREST IN JOINT VENTURE

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest		
Name of joint venture	Forms of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Groups' effective interest	Held by a subsidiary	Principal activity
Morsburn Engineering and Technology LLC	Incorporated	The United States	USD2,000	51.00%	51.00%	Providing engineering technology, support and equipment to projects

Morsburn Engineering and Technology LLC ("**Morsburn**") was established on 26 October 2024 by Morimatsu Houston Corporation with a joint venturer in the United States.

The Group accounts for Morsburn as an investment in a joint venture using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as Morsburn is under joint control.

Morsburn, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available. The total comprehensive income of Morsburn in 2024 is nil, and the net assets of RMB14,000 is mainly paid up capital.

16 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments for property, plant and equipment	**15,580**	51,271
Long-term deferred expense	**17,521**	14,306
	33,101	65,577

17 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	**304,819**	291,809
Work in progress	**492,424**	1,508,657
	797,243	1,800,466

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amount of inventories sold	**4,881,229**	5,300,188
Write-down of inventories	**18,313**	5,096
Reversal of write-down of inventories	**(965)**	(726)
Recognised in research and development expenses	**171,636**	199,628
	5,070,213	5,504,186

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value as a result of changes in contract prices.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract assets		
Arising from revenue recognised over time	**938,869**	866,310
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 19)	**1,035,842**	1,106,792

18 CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract assets *(Continued)*

Contract assets primarily relate to the Group's rights to consideration for work completed but not yet reached the milestones for billing at the reporting date. The Group's contracts include payment schedules which require stage payments over the delivery period once milestones are reached. Contract assets are transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities		
Billings in advance of performance	**1,476,247**	2,290,334

Contract liabilities primarily relate to the consideration received from customers in advance, for which revenue is recognised based on the progress of the provision of related services.

	Contract liabilities RMB'000
Movement in contract liabilities	
At 1 January 2023	2,890,048
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,305,474)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	1,705,760
At 31 December 2023 and 1 January 2024	**2,290,334**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(2,000,290)**
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	**1,186,203**
At 31 December 2024	**1,476,247**

19 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bills receivable (Note (a)(i))	**45,238**	132,887
Trade debtors net of loss allowance	**1,035,842**	1,106,792
Other debtors	**85,425**	69,389
Financial assets measured at amortised cost	**1,166,505**	1,309,068
Prepayments	**181,435**	190,304
	1,347,940	1,499,372

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Transfers of financial assets

The Group endorsed bank acceptance bills to its suppliers for settling trade payables of the same amounts on a full recourse basis. All bank acceptance bills had a maturity of less than one year from the issuance date. As at 31 December 2024, the Group did not have bill receivable (as at 31 December 2023: nil) pledged.

(i) Transferred financial assets that were derecognised in their entirety

The bills accepted by banks with high credit quality were derecognised when they were endorsed. In the opinion of the directors, the Group did not retain substantially all the risks and rewards of ownership of these bills, because the credit risk of the acceptance banks was very low and the Group had transferred out all interest risk of the bills upon endorsement. As the transferees had the practical ability to further endorse or discount the bills, control of these bills were transferred upon endorsement and thus they were derecognised. As at 31 December 2024, bills endorsed and derecognised, but yet reached maturity amounted to RMB213,210,000 (as at 31 December 2023: RMB203,861,000). This represents the Group's maximum exposure to loss should the acceptance banks fail to settle the bills on maturity date. However, non-settlement by those acceptance banks was considered unlikely.

(ii) Transferred financial assets that are not derecognised in their entirety

The other bank acceptance bills with a total carrying amount of RMB30,969,000 endorsed by the Group to its suppliers as at 31 December 2024 (as at 31 December 2023: RMB95,520,000) to settle trade payables of the same amounts, were not derecognised. In the opinion of the directors, the Group retained substantially all risks and rewards of these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated liabilities.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Ageing analysis

As of 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:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 3 months	**277,753**	589,670
More than 3 months but less than 1 year	**434,838**	369,023
More than 1 year but less than 2 years	**273,638**	139,423
More than 2 years	**49,613**	8,676
	1,035,842	1,106,792

Trade debtors and bills receivable are mainly due within 30–120 days from the date of invoice. Further details on the Group's credit policy and credit risk rising from trade debtors are set out in Note 29(a).

20 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION

(a) Cash and bank deposits and restricted cash comprise:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and bank balances	**1,477,549**	1,609,707
Non-pledged time deposits with original maturity of three months or less when acquired	**947,215**	558,975
Subtotal	**2,424,764**	2,168,682
Non-pledged time deposits with original maturity of over three months when acquired	**170,684**	—
Cash and bank deposits	**2,595,448**	2,168,682
Restricted cash	**3,188**	—
Total	**2,598,636**	2,168,682

As at 31 December 2024, the Group did not have deposits pledged to banks (as at 31 December 2023: nil).

20 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Profit before taxation		**911,254**	984,334
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	**153,237**	116,263
Depreciation of right-of-use assets	5(c)	**20,248**	11,811
Amortisation of intangible assets	5(c)	**21,301**	17,367
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets	4	**553**	377
Changes in fair value of financial assets and liabilities	4	**(854)**	(249)
Interest income	4	**(59,987)**	(59,765)
Net foreign exchange gains		**(4,811)**	(291)
Finance costs	5(a)	**10,448**	13,291
Share of results of joint venture	15	**—**	7,886
Share of results of associates	14	**491**	(4)
Equity-settled share-based payment expenses	5(b)	**60,840**	91,688
Net realised gains on financial assets measured at fair value through profit or loss	4	**(10,066)**	(10,164)
Changes in working capital			
Increase in deferred tax assets	24	**(8,327)**	(6,871)
(Decrease)/increase in deferred tax liabilities	24	**(3,592)**	22,235
Decrease in inventories	17	**1,003,694**	413,262
Increase in contract assets	18	**(72,559)**	(35,383)
Decrease/(increase) in trade and other receivables	19	**144,444**	(340,507)
Decrease in other non-current assets		**8,068**	2,647
Decrease in contract liabilities	18	**(861,554)**	(599,714)
(Decrease)/increase in trade and other payables	21	**(158,417)**	36,769
Increase/(decrease) in forward exchange contracts		**172**	(1,090)
Increase for deferred income	26	**1,614**	1,930
(Decrease)/increase in provisions	25	**(518)**	5,454
Increase in restricted cash	20	**(3,188)**	—
Net cash flows generated from operating activities		**1,152,491**	671,276

20 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2023	444,233	23,163	467,396
Changes from financing cash flows:			
Proceeds from bank loans	102,999	—	102,999
Capital element of lease rentals paid	—	(6,401)	(6,401)
Interest element of lease rentals paid	—	(922)	(922)
Repayment of bank loans	(180,000)	—	(180,000)
Interest paid	(13,302)	—	(13,302)
Total changes from financing cash flows	(90,303)	(7,323)	(97,626)
Exchange adjustment	(1,216)	—	(1,216)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	—	2,488	2,488
Interest expenses (Note 5(a))	12,369	922	13,291
Total other changes	12,369	3,410	15,779
At 31 December 2023 and 1 January 2024	365,083	19,250	384,333

20 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans and other borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
Changes from financing cash flows:			
Proceeds from bank loans	17,622	—	17,622
Capital element of lease rentals paid	—	(12,943)	(12,943)
Interest element of lease rentals paid	—	(1,948)	(1,948)
Repayment of bank loans	(165,132)	—	(165,132)
Interest paid	(9,482)	—	(9,482)
Total changes from financing cash flows	(156,992)	(14,891)	(171,883)
Exchange adjustment	(2,406)	683	(1,723)
Other changes:			
Increase in lease liabilities from acquisition of Morimatsu Dialog	—	13,659	13,659
Increase in lease liabilities from entering into new leases during the period	—	61,266	61,266
Interest expenses (Note 5(a))	8,500	1,948	10,448
Termination	—	(306)	(306)
Total other changes	8,500	76,567	85,067
At 31 December 2024	214,185	81,609	295,794

20 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**43,154**	30,470
Within financing cash flows	**14,891**	7,323
	58,045	37,793

(e) Net cash inflow arising from acquisition of a subsidiary

As the cash consideration of the acquisition of Morimatsu Dialog is nil, the total cash inflow is the cash balance of Morimatsu Dialog on the acquisition date, which is RMB121,563,000.

21 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Bills payable	**116,775**	26,921
Trade payables	**1,076,073**	1,254,536
Other payables and accruals	**453,735**	388,393
Financial liabilities measured at amortised cost	**1,646,583**	1,669,850

As of 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:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Within 3 months	**638,085**	761,296
More than 3 months but less than 6 months	**139,691**	162,953
More than 6 months but less than 12 months	**114,704**	173,368
More than 1 year but less than 2 years	**121,368**	151,868
More than 2 years	**62,225**	5,051
	1,076,073	1,254,536

No bills payable (as at 31 December 2023: nil) was guaranteed.

All trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

22 INTEREST-BEARING BORROWINGS

(a) The analysis of carrying amount of interest-bearing borrowings is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
— non-guaranteed bank loans	**87,906**	185,524
Non-current		
— non-guaranteed bank loans	**126,279**	179,559
Interest-bearing borrowings	**214,185**	365,083

(b) The bank loans and interest-bearing borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year or on demand	**87,906**	185,524
After 1 year but within 2 years	**6,720**	10,000
After 2 years but within 5 years	**119,559**	169,559
	214,185	365,083

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	As at 31 December 2024		As at 31 December 2023	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**27,233**	**30,210**	4,312	5,067
After 1 year but within 2 years	**25,590**	**27,317**	3,336	3,925
After 2 years but within 5 years	**24,128**	**25,743**	6,035	7,167
After 5 years	**4,658**	**4,889**	5,567	5,975
	81,609	**88,159**	19,250	22,134
Less: total future interest expenses		**(6,550)**		(2,884)
Present value of lease liabilities		**81,609**		19,250

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represent:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Provision for income tax for the year:		
Balance at 1 January	**90,089**	68,467
Provision for current income tax for the year	**178,371**	126,422
Withholding tax on the profits of the Group's PRC subsidiaries (Note 6(a))	**14,921**	—
PRC income tax paid	**(174,450)**	(104,800)
Balance at 31 December	**108,931**	90,089

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the reporting period are as follows:

	Accruals and provisions RMB'000	Amortisation of Intangible assets RMB'000	Credit loss allowance RMB'000	Revaluation of financial assets and liabilities RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Provisions for warranties, onerous contract and litigation RMB'000	Provisions for inventories RMB'000	Deferred income RMB'000	Right-of-use assets RMB'000	Lease Liabilities RMB'000	Deductible tax losses RMB'000	Profit distribution RMB'000	Expense on share-based transactions RMB'000	Total RMB'000
Deferred tax assets/(liabilities) arising from:														
At 1 January 2023	10,619	—	3,431	44	(29,880)	3,944	1,650	7,954	—	—	—	—	—	(2,238)
Charged/(credited) to profit or loss	2,261	38	(1,062)	(80)	(12,481)	705	475	230	(3,794)	3,739	9,526	(14,921)	—	(15,364)
At 31 December 2023 and 1 January 2024	12,880	38	2,369	(36)	(42,361)	4,649	2,125	8,184	(3,794)	3,739	9,526	(14,921)	—	(17,602)
Effect on deferred tax balances resulting from a change in tax rate (Note 6(a))	(47)	—	—	—	2,436	(4)	(12)	(2,893)	2,504	(2,519)	(3,811)	—	—	(4,346)
Charged/(credited) to profit or loss	1,374	30	17,441	(145)	(3,076)	(49)	(65)	280	(6,708)	6,880	11,883	(13,079)	1,499	16,265
At 31 December 2024	14,207	68	19,810	(181)	(43,001)	4,596	2,048	5,571	(7,998)	8,100	17,598	(28,000)	1,499	(5,683)

(ii) Reconciliation to the consolidated statement of financial position

	2024 RMB'000	2023 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**22,318**	13,991
Net deferred tax liability recognised in the consolidated statement of financial position	**(28,001)**	(31,593)
	(5,683)	(17,602)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB76,003,000 as at 31 December 2024 (as at 31 December 2023: RMB208,139,000) of the Company, Morimatsu China, Morimatsu Engineering, Mori-Biounion Technology and Shandong Keda as it is not probable that foreseeable future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The deductible tax loss of Morimatsu Engineering expires within 10 years. The deductible tax losses of the remaining entities incorporated in Mainland China expire within 5 years from the year when such losses were incurred under current tax law.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

(d) Deferred tax assets recognised

Morimatsu LifeSciences and Morimatsu Biotechnology recognised the deferred tax assets in respect of cumulative tax losses of RMB117,323,000 as at 31 December 2024 (2023: RMB38,105,000).

(e) Deferred tax liabilities not recognised

At 31 December 2024, temporary differences relating to undistributed profits of the subsidiaries amounted to RMB2,368,339,000 (as at 31 December 2023: RMB2,132,223,000). Deferred tax liabilities of RMB236,834,000 (as at 31 December 2023: RMB213,222,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits would not be distributed to the Company in the foreseeable future.

25 PROVISIONS

	Warranty provision RMB'000	Provision for onerous contract RMB'000	Sales allowance RMB'000	Total RMB'000
At 1 January 2024	**30,750**	**154**	**—**	**30,904**
Additional provisions made	**13,039**	**(37)**	**118**	**13,120**
Provisions utilised	**(13,638)**	**—**	**—**	**(13,638)**
At 31 December 2024	**30,151**	**117**	**118**	**30,386**

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within 18 months of the date of sales. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the 18 months prior to the end of the each reporting period. The amount of provision takes into account the Group's recent experience and is only made where a warranty claim is probable.

26 DEFERRED INCOME

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants	**45,978**	44,364

Government grants are related to assets those are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme (the "**Pre-IPO Share Option Scheme**") which was adopted on 1 July 2020 whereby the directors of the Company are authorised, at their discretion, to invite employees and directors of the Group, to take up options at HKD1.00 for each acceptance of the share offer. The vesting period of five years started 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 Company and is settled gross in shares.

As at 1 July 2020, the Company 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) in consideration of an option price of HKD0.0001 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme.

The Group recognised an expense of RMB36,477,000 in the year ended 31 December 2024 (31 December 2023: RMB60,982,000), 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.

In the year ended 31 December 2024, options to subscribe for an aggregate of 10,406,653 ordinary shares were exercised (in the year ended 31 December 2023: 7,956,419).

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 vesting period of three years started 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 RMB12,826,000 in the year ended 31 December 2024 (31 December 2023: RMB30,706,000), which is by reference to the fair value of the RSUs on the grant date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

9,269,100 RSUs were vested in the year ended 31 December 2024 (31 December 2023: 9,406,800), and no RSUs were exercised in the year ended 31 December 2024 (31 December 2023: 9,406,800).

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Morimatsu Pharmaceutical Equipment, the subsidiary of the Group, has a Restricted Share Scheme (the "**RS Scheme**") which was adopted on 30 September 2024 whereby 12,868,710 restricted shares ("**RS**") were granted to 16 qualified employees on 30 September 2024, at the exercise price of RMB2 per RS. The RSs vest under one of the following two approaches:

- 26% of the RSs which granted with a three-year service period, vest after three years from 1 January 2025, and are exercisable after vested.
- 62% of the RSs which granted with a six-year service period and subject to non-market performance condition, vest after six years from 1 January 2025, and are exercisable after vested.
- 12% of the RSs which granted with a six-year service period and subject to non-market performance condition, are exercisable from 1 January 2032, one year after vested.

The Group recognised an expense of RMB11,537,000 in the year ended 31 December 2024 (31 December 2023: nil), which is by reference to the fair value of the ordinary shares on the grant date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

(a) The terms and conditions of the grants are as follows:

Type of scheme	Grant date	Number of the Company's instruments	Vesting conditions	Contractual life of options/ ordinary shares	Fair value at the grant date
Pre-IPO Share Option Scheme	At 1 July 2020	132,380,000	20% at any time after the first, second, third, fourth and fifth anniversary of the listing date	5.99 years	RMB2.29
RSU Scheme	At 5 January 2022	29,459,700	33% at any time after the first, second and third anniversary of the grant date	3.02 years	RMB4.06

Type of scheme	Grant date	Number of Morimatsu Pharmaceutical Equipment's instruments	Vesting conditions	Contractual life of options/ ordinary shares	Fair value at the grant date
RS Scheme	At 30 September 2024	12,868,710	For 26% of the RSs, 100% at any time after the third anniversary of the grant date; for the 74% of the RSs, 100% at any time after the sixth anniversary of the grant date, respectively	3.26 years/ 6.26 years	RMB17.98

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number of instruments are as follows:

	Year ended 31 December 2024		Year ended 31 December 2023	
	Pre-IPO Share Option Scheme	**RSU Scheme**	Pre-IPO Share Option Scheme	RSU Scheme
Outstanding at the beginning of the year	**106,180,893**	**18,538,200**	114,137,312	28,220,400
Granted during the year	**—**	**—**	—	—
Exercised during the year	**(10,406,653)**	**—**	(7,956,419)	(9,406,800)
Forfeited during the year	**—**	**—**	—	(275,400)
Outstanding at the end of the year	**95,774,240**	**18,538,200**	106,180,893	18,538,200
Exercisable at the end of the year	**43,954,240**	**9,269,100**	28,450,893	—

	Year ended 31 December 2024 RS Scheme
Outstanding at the beginning of the year	**—**
Granted during the year	**12,868,710**
Exercised during the year	**—**
Forfeited during the year	**—**
Outstanding at the end of the year	**12,868,710**
Exercisable at the end of the year	**—**

The outstanding options of Pre-IPO Share Option Scheme at 31 December 2024 had an exercise price of HKD0.0001 and a weighted average remaining contractual life of 1.49 years (2023: 2.49 years).

The outstanding RSUs of RSU Scheme at 31 December 2024 had an exercise price of HKD4.17 and a weighted average remaining contractual life of 0.02 years (2023: 1.02 years).

Subject to the related conditions, none of the RSs of RS Scheme is outstanding at 31 December 2024. The weighted average remaining contractual life of RS Scheme is 5.23 years.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Measurement of fair values

(i) Fair value of share options and RSUs and assumptions

The fair value of services received in return for share options and RSUs granted is measured by reference to the fair value of share options and RSUs granted. The estimate of the fair value of the share options and RSUs granted is measured based on a binomial model. The contractual life of the share option and RSUs is used as an input into this model.

Fair value of share options and RSUs and assumptions

	Pre-IPO Share Option Scheme	RSU Scheme
Fair value at measurement date	RMB2.29	RMB4.06
Exercise price	HK$0.0001	HK$4.17
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	51.55%	50.00%
Time to maturity (expressed as weighted average life used in the modelling under binomial option pricing model)	10.54 years	4.94 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on Exchange Fund Notes)	2.83%	1.25%

Volatility was based on historical volatilities of the comparable companies in the same industry for a period of remaining contractual life, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options and RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option and RSU grants.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Measurement of fair values *(Continued)*

(ii) Fair value of RSs and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. Discounted cash flow method was used to determine the underlying equity fair value of the Morimatsu Pharmaceutical Equipment, the subsidiary of the Company, based on which, the fair value of per underlying share was calculated considering total number of shares.

Fair value of RSs and assumptions

	Year ended 31 December 2024 RS Scheme
Fair value at measurement date	RMB17.98
Exercise price	RMB2.00
Discount rate	12.50%
Terminal growth rate	2.30%
Terminal value	RMB1,569,882,000

The discount rate is based on the weighted average cost of capital with cost of equity calculated under the Capital Asset Pricing Model and after-tax cost of debt. The terminal growth rates are estimated by reference to the long-term expected inflation rate. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period.

28 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the reporting period are set out below:

The Company	Share capital	Treasury stock	Capital reserve	Exchange reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 28(b)			Note 28(c)		
Balance at 1 January 2023	643,657	(36,580)	695,023	(2,536)	(125,324)	1,174,240
Changes in equity for the year ended 31 December 2023						
Profit for the year	–	–	–	–	215,633	215,633
Allotment of shares (Note 28(b)(i))	567,206	–	–	–	–	567,206
Other comprehensive income for the year	–	–	–	25,531	–	25,531
Equity-settled share-based transactions (Note 27)	–	–	91,688	–	–	91,688
Issuance and repurchase of ordinary shares to the Company (Note 28(b)(ii))	37,110	(37,110)	–	–	–	–
Exercise of share option (Note 28(b)(iv))	54,778	34,746	(55,467)	–	–	34,057
Total change for the year	659,094	(2,364)	36,221	25,531	215,633	934,115
Balance at 31 December 2023 and 1 January 2024	1,302,751	(38,944)	731,244	22,995	90,309	2,108,355
Changes in equity for the year ended 31 December 2024						
Profit for the year	**–**	**–**	**–**	**–**	**265,240**	**265,240**
Other comprehensive income for the year	**–**	**–**	**–**	**5,108**	**–**	**5,108**
Profit distribution	**–**	**–**	**–**	**–**	**(110,810)**	**(110,810)**
Equity-settled share-based transactions (Note 27)	**–**	**–**	**50,845**	**–**	**–**	**50,845**
Issuance and repurchase of ordinary shares to the Company (Note 28(b)(ii))	**32,074**	**(32,074)**	**–**	**–**	**–**	**–**
Repurchase of ordinary shares to the Company (Note 28(b)(iii))	**–**	**(15,220)**	**–**	**–**	**–**	**(15,220)**
Cancellation of ordinary shares to the Company (Note 28(b)(iii))	**(7,535)**	**7,535**	**–**	**–**	**–**	**–**
Exercise of share option (Note 28(b)(iv))	**23,839**	**1**	**(23,839)**	**–**	**–**	**1**
Total change for the year	**48,378**	**(39,758)**	**27,006**	**5,108**	**154,430**	**195,164**
Balance at 31 December 2024	**1,351,129**	**(78,702)**	**758,250**	**28,103**	**244,739**	**2,303,519**

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2024		2023	
	No. of shares ('000)	**RMB'000**	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**1,190,092**	**1,302,751**	1,073,796	643,657
Allotment of shares (Note 28(b)(i))	**—**	**—**	80,000	567,206
Issuance and repurchase of ordinary shares to the Company (Note 28(b)(ii))	**33,083**	**32,074**	36,296	37,110
Cancellation of ordinary shares to the Company (Note 28(b)(iii))	**(1,592)**	**(7,535)**	—	—
Exercise of share option and RSUs (Note 28(b)(iv))	**—**	**23,839**	—	54,778
At 31 December	**1,221,583**	**1,351,129**	1,190,092	1,302,751

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

(i) Allotment of shares under the subscription

On 4 January 2023, the Board approved that a total of 80,000,000 ordinary shares will be allotted and issued on 12 January 2023 as fully paid for cash at HKD8.30 per share. The net proceeds (after deducting all fees, costs and expenses incurred by the Company) amount to approximately RMB567,206,000.

(ii) Issuance and repurchase of ordinary shares to the Company

The Company issued and repurchased 24,778,000 ordinary shares at HKD1.208 per share for exercise of Pre-IPO Share Option Scheme on 3 June 2024 (26,476,000 ordinary shares at HKD0.6621 on 1 June 2023).

The Company issued and repurchased 8,305,200 ordinary shares at HKD4.17 per share for exercise of RSU Scheme on 22 November 2024 (9,819,900 ordinary shares at HKD4.17 on 23 November 2023).

The cost of the treasury shares which were repurchased for the purposes of equity settled share-based transactions is in the amount of RMB32,074,000 in 2024 (2023: RMB37,110,000).

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

(iii) Repurchase and cancellation of ordinary shares to the Company

The Company repurchased a total of 3,666,000 ordinary shares at a price ranging from HKD3.55 to HKD6.18 per share during year ended 31 December 2024 (2023: nil), of which 1,592,000 ordinary shares were cancelled.

The cost of treasury shares repurchased for the purpose of enhancing the net asset value per share and earnings per share is RMB15,220,000 in 2024 (2023: nil), among which RMB7,535,000 is cancelled in 2024 (2023: nil).

(iv) Exercise of share option and RSU

The option to subscribe for an aggregate of 10,406,635 ordinary shares, which grant date fair value is RMB2.29, were exercised in 2024 at the exercise price of RMB1,000. RMB23,839,000 was transferred from the capital reserve to the share capital account in accordance with policy set out in Note 1(s)(ii).

The option to subscribe for an aggregate of 7,956,419 ordinary shares, which grant date fair value is RMB2.29, were exercised in 2023 at the exercise price of RMB1,000. RMB18,226,000 was transferred from the capital reserve to the share capital account in accordance with policy set out in Note 1(s)(ii).

9,269,100 RSUs were vested, and no RSUs were exercised in 2024.

9,327,555 RSUs were vested and exercised at the exercise price of RMB34,056,000 in 2023. RMB37,241,000 was transferred from the capital reserve to the share capital account in accordance with policy set out in Note 1(s)(ii).

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(w).

28 CAPITAL AND RESERVES *(Continued)*

(d) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, a subsidiary of the Group which is domestic enterprise is required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to its respective statutory reserves until the reserves reach 50% of its respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Dividends

During the year ended 31 December 2024, HKD0.1 per ordinary share, HKD121,328,000 (equivalent to RMB110,810,000) was distributed and paid (31 December 2023: Nil).

The total amount of dividends proposed after the end of the reporting period of HKD0.15 per ordinary share is HKD182,926,000. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(f) Capital reserve

The capital reserve comprises the following:

— Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders; and

— The portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 1(s)(ii).

(g) 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, arising from the completion of acquisition of equity interest of Morimatsu Houston Corporation on 28 February 2022.

28 CAPITAL AND RESERVES *(Continued)*

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities), less cash and cash equivalents and restricted cash. Adjusted capital comprises all components of equity.

During the years ended 31 December 2024 and 2023, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

28 CAPITAL AND RESERVES *(Continued)*

(h) Capital management *(Continued)*

The Group's adjusted net debt-to-capital ratios at 31 December 2024 and 2023 were as follows:

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities:			
Interest-bearing borrowings	22	**87,906**	185,524
Lease liabilities	23	**27,233**	4,312
Non-current liabilities:			
Interest-bearing borrowings	22	**126,279**	179,559
Lease liabilities	23	**54,376**	14,938
Total debt		**295,794**	384,333
Less: Cash and bank deposits	20(a)	**(2,595,448)**	(2,168,682)
Less: Restricted cash	20(a)	**(3,188)**	—
Adjusted net debt		**(2,302,842)**	(1,784,349)
Total equity attributable to equity shareholders of the Company		**5,048,359**	4,382,491
Adjusted capital		**5,048,359**	4,382,491
Adjusted net debt-to-capital ratio		**no net debt**	no net debt

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements throughout the reporting period.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and interest rate risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and bank deposits, restricted cash and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk.

The Group also provide, through banking facilities, performance guarantees as required by its customers under normal course of business. Other than the above, the Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2024 and 2023, 0.25% and 8% of the total trade receivables and contract assets was due from the Group's largest customer, 9% and 22% of the total trade receivables and contract assets was due from the Group's five largest customers respectively.

Individual credit evaluations are performed on customers who have high credit risk. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mainly due within 30 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

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

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

During the year ended 31 December 2024 and 2023, there was no significant change in the customer base, the credit risk of customers, the Group's credit policy, the economic conditions and the Group's view of economic conditions over the expected lives of receivables.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2024 and 2023:

		31 December 2024	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**0.01%~5%**	**1,288,327**	**(27,094)**
0–3 months past due	**0.01%~5%**	**188,035**	**(7,383)**
4–6 months past due	**0.03%~9.39%**	**171,418**	**(4,806)**
7–12 months past due	**0.05%~5%**	**162,737**	**(4,015)**
1–2 year past due	**0.13%~100%**	**237,412**	**(29,920)**
		2,047,929	**(73,218)**
Customers with high credit risk	**100%**	**54,347**	**(54,347)**
		2,102,276	**(127,565)**

		31 December 2023	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.00% ~ 0.01%	1,259,816	(45)
0–3 months past due	0.01% ~ 0.03%	373,524	(68)
4–6 months past due	0.02% ~ 0.05%	183,995	(71)
7–12 months past due	0.06% ~ 0.19%	84,678	(84)
1–2 year past due	0.19% ~ 100%	73,637	(2,280)
		1,975,650	(2,548)
Customers with high credit risk	100%	8,781	(8,781)
		1,984,431	(11,329)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Balance at 1 January	**11,329**	18,373
Effect of acquisition of Shandong Keda	**495**	—
Amounts written off during the year	**(603)**	(6,183)
Impairment losses recognised during the year	**118,983**	3,764
Impairment losses reversed during the year	**(2,639)**	(4,625)
Balance at 31 December	**127,565**	11,329

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB5,980,000 (2023: RMB169,000);

— settlement of trade receivables originated from prior years resulted in a decrease in loss allowance of RMB1,180,000 (2023: RMB5,563,000);

— increase in days past due over resulted in an increase in loss allowance of RMB111,544,000 (2023: RMB4,533,000); and

— a write-off of trade receivables with a gross carrying amount of RMB603,000 (2023: RMB10,808,000) resulted in a decrease in loss allowance of RMB603,000 (2023: RMB6,183,000).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		As at 31 December 2024				
		Contractual undiscounted cash outflow				
	Note	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 5 years RMB'000**	**More than 5 year RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Interest-bearing borrowings	22	**92,325**	**132,433**	**—**	**224,758**	**214,185**
Trade and other payables	21	**1,646,583**	**—**	**—**	**1,646,583**	**1,646,583**
Lease liabilities	23	**30,210**	**53,060**	**4,889**	**88,159**	**81,609**
		1,769,118	**185,493**	**4,889**	**1,959,500**	**1,942,377**

		As at 31 December 2023				
		Contractual undiscounted cash outflow				
	Note	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 year RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing borrowings	22	195,748	193,843	—	389,591	365,083
Trade and other payables	21	1,669,850	—	—	1,669,850	1,669,850
Lease liabilities	23	5,067	11,092	5,975	22,134	19,250
		1,870,665	204,935	5,975	2,081,575	2,054,183

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2024 Contractual undiscounted cash (outflow)/inflow		As at 31 December 2023 Contractual undiscounted cash (outflow)/inflow	
	Within 1 year or on demand RMB'000	**Total RMB'000**	Within 1 year or on demand RMB'000	Total RMB'000
Forward foreign exchange contracts:				
— outflow	**(56,591)**	**(56,591)**	—	—
— inflow	**56,034**	**56,034**	—	—
Monetary fund:				
— inflow	**396,598**	**396,598**	59,149	59,149

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. 57% of the borrowings of the Group are fixed rate instruments and are insensitive to any change in market interest rate.

The Group actively monitors the interest rate fluctuation to ensure that its net exposure is kept to an acceptable level.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	As at 31 December 2024		As at 31 December 2023	
	Interest rate		Interest rate	
	%	**RMB'000**	%	RMB'000
Fixed rate borrowings:				
Interest-bearing borrowings	**2.3%–3.21%**	**87,789**	3.88%–4.40%	100,428
Lease liabilities	**0.00%–6.68%**	**81,609**	0.00%–4.90%	19,250
Total fixed rate borrowings		**169,398**		119,678
Variable rate borrowings				
Interest-bearing borrowings	**5-year LPR-0.57%**	**126,396**	5-year LPR-0.57%	179,759
			5.36%–7.25%	84,896
Total variable rate borrowings		**126,396**		264,655
Fixed rate borrowings as a percentage of total borrowings		**57%**		31%

(ii) Sensitivity analysis

At 31 December 2024, it is estimated that a general increase of 5% basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately RMB5,372,000 (2023: RMB10,285,000). A 5% decrease of interest rate would have had the equal but opposite effect on them to the amounts shown above.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen, Hong Kong dollar, Renminbi and Singapore Dollar. The Group may also use forward foreign exchange contracts to manage currency risk. As at 31 December 2024, the effect of forward foreign exchange contracts is not material to the Group.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at each year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in RMB'000)					
	As at 31 December 2024					
	USD	**EUR**	**JPY**	**HKD**	**RMB**	**SGD**
Cash and bank deposits	**1,108,477**	**93,544**	**16,824**	**23**	**2,150**	**6,811**
Trade and other receivables	**108,992**	**14,654**	**284**	**—**	**—**	**—**
Intercompany receivables/ (payables), net	**1,620**	**(14,104)**	**(1,250)**	**—**	**274,888**	**—**
Contract assets	**378,262**	**17,265**	**—**	**—**	**—**	**—**
Interest-bearing borrowings	**—**	**—**	**—**	**—**	**(79,283)**	**—**
Trade and other payables	**(38,572)**	**(17,891)**	**(3,031)**	**—**	**(581)**	**(560)**
Net balance sheet exposure	**1,558,779**	**93,468**	**12,827**	**23**	**197,174**	**6,251**

	Exposure to foreign currencies (expressed in RMB'000)					
	As at 31 December 2023					
	USD	EUR	JPY	HKD	RMB	SGD
Cash and bank deposits	1,214,806	117,895	24,401	34,346	88	1,976
Trade and other receivables	126,399	8,997	445	—	—	—
Intercompany receivables/ (payables), net	12,422	(141)	(2,049)	—	149,210	(545)
Contract assets	190,573	38,711	—	—	—	—
Interest-bearing borrowings	—	—	—	—	(100,429)	—
Trade and other payables	(24,514)	(21,271)	(3,319)	—	(389)	—
Net balance sheet exposure	1,519,686	144,191	19,478	34,346	48,480	1,431

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	As at 31 December			
	2024		2023	
	Increase/ decrease) in foreign exchange rate	**Increase/ (decrease) in profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits
	%	**RMB'000**	%	RMB'000
USD	**2**	**26,380**	2	25,731
EUR	**5**	**3,835**	6	7,220
JYP	**5**	**530**	5	803
HKD	**5**	**1**	2	515
RMB	**5**	**8,233**	5	2,024
SGD	**5**	**262**	5	49

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised ratio Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Recurring fair value measurements							
Financial Assets							
Unlisted equity securities-A	10,900	—	—	10,900	Market approach	Volatility Discount for lack of marketability	The higher the unobservable inputs, the higher the fair value
Unlisted equity securities-B	2,413	—	—	2,413	Historical cost	N/A	N/A
Monetary fund*	396,598	—	396,598	—	Open market transaction price	N/A	N/A
Financial Liabilities							
Forward exchange contracts	(557)	—	(557)	—	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

* As of 31 December 2024, the monetary fund is the structured deposits and short-term wealth management products held by the Group which amounting to RMB396,598,000. The total size of the monetary funds managed by China Zheshang Bank Co., LTD., Bank of Communications and Agricultural Bank of China is RMB196,267,000, RMB170,222,000 and RMB30,109,000 respectively with expected interest rate of 1.3%~2.3%.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised ratio Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Recurring fair value measurements							
Financial Assets Unlisted equity securities-A	10,100	—	—	10,100	Backsolve from recent transaction price	Volatility Discount for lack of marketability	The higher the unobservable inputs, the higher the fair value
Monetary fund*	59,149	—	59,149	—	Open market transaction price	N/A	N/A

* As of 31 December 2023, the monetary fund is the short-term wealth management products held by the Group which amounting to RMB59,149,000. The total size of the monetary funds managed by Agricultural Bank of China is RMB 59,149,000 with expected interest rate of 1.75%~3.0%.

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is the estimated amount that the Group would receive or pay to transfer the contract at the end of the reporting period, taking into account current forward price which is derived from Standard Chartered Bank.

The fair value of monetary fund in Level 2 is the estimated amount that the Group would receive or pay to transfer the financial assets at the end of the reporting period, taking into account current interest rates which is derived from China Zheshang Bank Co., LTD., Agricultural Bank of China and Bank of Communications.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Information about Level 3 fair value measurements

The unlisted equity securities-A in level 3 is shares in Lab Direct China Limited. 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.

Pursuant to the written resolution dated on 6 June 2022, the Group invested RMB10,000,000 to obtain 1.75% equity interest of Lab Direct China Limited. The Group categorized its investment in Lab Direct China Limited as FVPL. No dividends were received on this investment during the year (2023: nil).

The fair value of the investment is determined by the market approach as at 31 December 2024 (as at 31 December 2023: backsolve method from recent transaction price).

The unlisted equity securities-B in level 3 is shares in 3DC Inc.. 3DC Inc. is a company incorporated in Japan and engaged in development and manufacturing of carbon materials.

Pursuant to the written resolution dated on 16 January 2024, the Group invested JPY49,999,992 (equivalent to RMB2,413,000) to obtain 2.82% equity interest of 3DC Inc. The Group categorized its investment in 3DC Inc. as FVPL. No dividends were received on this investment during the year.

As of 31 December 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.

(ii) 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 31 December 2024 and 2023.

30 COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Authorised but not contracted for	**97,520**	203,906
— Commitments for the joint venture	**—**	175,656
Contracted for but not provided for	**136,311**	106,728
	233,831	310,634

(b) Operating lease commitments

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Operating lease commitments	**747**	52,354
— Commitments for related parties	**—**	51,774
Within 1 year	**747**	52,354

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the reporting period, 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
Morsburn Engineering and Technology LLC	Joint venture
Morimatsu Dialog (Malaysia) SDN. BHD. ("**Morimatsu Dialog**")	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	Members of director and key management personnel
Jungo Hirazawa	Members of director and key management personnel
Hirotaka Kawashima	Members of director and key management personnel
Koei Nishimatsu	Members of director and key management personnel
Weihua Tang	Members of director and key management personnel
Ye Sheng	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.

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	**14,784**	13,144
Equity compensation benefits	**20,002**	24,160
	34,786	37,304

Total remuneration is included in "staff costs" (see Note 5(b)).

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party transactions

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Lease expense		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	**52,317**	54,508
Dialog Fabricators SDN. BHD.	**4,424**	—
	56,741	54,508
Outsourcing service income		
Morimatsu Holdings Co., Ltd.	**412**	580
	412	580
Sales of Product		
Dialog E & C SDN. BHD.	**10,205**	—
Morimatsu Dialog*	**—**	223
	10,205	223
Purchase of Product		
Dialog Fabricators SDN. BHD.	**1,453**	—
Dialog E & C SDN. BHD.	**242**	—
Morimatsu Dialog*	**—**	19,711
	1,695	19,711
Purchase of Services		
Dialog E & C SDN. BHD.	**220,488**	—
Dialog Fabricators SDN. BHD.	**1,340**	—
Dialog Corporate SDN. BHD.	**190**	—
Dialog Construction SDN. BHD.	**120**	—
Morimatsu Dialog*	**—**	799
	222,138	799

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

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Related party balances

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Amounts due to (trade):		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	**67,327**	58,905
Dialog E & C SDN. BHD.	**31,037**	—
Dialog Fabricators SDN. BHD.	**434**	—
Dialog Construction SDN. BHD.	**41**	—
Dialog Corporate SDN. BHD.	**15**	—
Morimatsu Dialog*	**—**	1,966
	98,854	60,871
Trade payables	**95,807**	60,792
Contract liabilities	**3,047**	79
	98,854	60,871

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Amounts due from (trade):		
Morimatsu Holdings Co., Ltd.	**240**	247
Dialog E & C SDN. BHD.	**3,062**	—
Morimatsu Dialog*	**—**	49,459
	3,302	49,706
Trade debtors net of loss allowance	**3,302**	247
Prepayment	**—**	49,459
	3,302	49,706

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) Guarantees provided to related parties

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Morimatsu Dialog*	—	10,656
	—	10,656

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Shanghai Morimatsu Chemical Equipment Co., Ltd. and Morimatsu Holdings Co., Ltd. constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section titled "CONNECTED TRANSACTIONS" of the Directors' Report.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2024 RMB'000**	As at 31 December 2023 RMB'000
Non-current asset			
Investment in subsidiaries		**1,937,912**	1,724,588
Current assets			
Trade and other receivables	(a)	**350,773**	270,217
Contract assets		**2,115**	520
Cash and bank deposits		**553,369**	355,670
Current liabilities			
Trade and other payables	(b)	**309,078**	21,941
Contract liabilities		**152,289**	35,374
Interest-bearing borrowings	(c)	**79,283**	185,325
Net current assets		**365,607**	383,767
Total assets less current liabilities		**2,303,519**	2,108,355
Net assets		**2,303,519**	2,108,355
Capital and reserves			
Share capital		**1,351,129**	1,302,751
Reserves		**952,390**	805,604
Total equity		**2,303,519**	2,108,355

Approved and authorised for issue by the board of directors on 27 March 2025.

Hirotaka Kawashima	**Ye Sheng**
Directors	*Directors*

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

(a) Trade and other receivables

	Note	As at 31 December **2024** **RMB'000**	 2023 RMB'000
Amounts due from subsidiaries	(i)	**349,437**	218,635
Amounts due from joint venture		**—**	49,459
Other debtors		**1,336**	2,123
		350,773	270,217

(i) As at 31 December 2024, RMB275,147,000, RMB50,619,000, RMB18,633,000, RMB3,060,000 and RMB1,978,000 (2023: Morimatsu China RMB149,210,000 and Morimatsu LifeSciences RMB69,425,000) were mainly due from Morimatsu China, Morimatsu LifeSciences, Morimatsu Heavy Industry, Morimatsu Dialog and Morimatsu Technology and Service Company Limited respectively, which was eliminated in the consolidated financial statements.

(b) Trade and other payables

	Note	As at 31 December **2024** **RMB'000**	 2023 RMB'000
Amounts due to subsidiaries	(i)	**305,838**	14,653
Other creditors		**3,240**	7,288
		309,078	21,941

(i) As at 31 December 2024, RMB299,698,000 and RMB6,140,000 (2023: Morimatsu Heavy Industry RMB14,653,000) were mainly due to Morimatsu Heavy Industry and Morimatsu Dialog respectively, which was eliminated in the consolidated financial statements.

(c) Interest-bearing borrowings

	As at 31 December **2024** **RMB'000**	 2023 RMB'000
Current		
— non-guaranteed bank loans	**79,283**	185,325
Interest-bearing borrowings	**79,283**	185,325

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Interest-bearing borrowings *(Continued)*

As at 31 December 2024, bank loans of RMB9,827,000 from Mizuho Bank bearing interest at 3.21% per annum and RMB68,787,000 from Sumitomo Mitsui Banking Corporation bearing interest at 2.85% per annum with the accrued interest RMB669,000 are repayable on 29 August 2025 and 28 February 2025 respectively.

As at 31 December 2023, bank loans of RMB69,631,000 from Sumitomo Mitsui Banking Corporation bearing interest at 4.05% per annum was extended, and the accrued interest RMB956,000 were repaid on 30 August 2024.

As at 31 December 2023, bank loans of RMB84,277,000 from Sumitomo Mitsui Banking Corporation bearing variable interest rate from 5.36% to 7.25% during the year of 2023 with the accrued interest RMB619,000 was repaid on 26 February 2024.

As at 31 December 2023, bank loans of RMB29,842,000 from Mizuho Bank bearing interest at 4.40% per annum was repaid on 30 August 2024.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Investment of new subsidiaries

On 27 January 2025, the Group set up a new subsidiary, Morimatsu Engineering & Technology (Malaysia) SDN. BHD. ("**MET Malaysia**"). The subsidiary of the Company, Morimatsu (Singapore) Pte. Ltd. holds 100% shares directly and has control over MET Malaysia. The register capital of MET Malaysia is MYR 3,000. MET Malaysia serves as one of the technology hubs and engineering services centers for Morimatsu's energy materials segment in Southeast Asia. The capital has not been injected into MET Malaysia.

On 13 February 2025, the Group set up a new subsidiary with four independent third parties, Shanghai MoriSora Technology Co., Ltd. ("**MoriSora**"). The subsidiary of the Company, Morimatsu Biotechnology, holds 70% of the shares in MoriSora. The register capital of MoriSora is RMB12,000,000 and is unpaid. MoriSora is primarily engaged in the research and development, production and sales of drying equipment, cleaning equipment, sterilization equipment and conveyor systems, as well as providing maintenance, upgrades and validation services for such equipment.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING ON OR AFTER 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2024, the directors consider the immediate parent of the Group to be Morimatsu Holdings Co., Ltd. and ultimate controlling party of the Group to be Morimatsu Group Co., Ltd., which are incorporated in Japan. These entities do not produce financial statements available for public use.

Definitions and Glossary

"AGM"	refers to the annual general meeting of the Company
"Articles of Association"	refers to the Articles of Association of the Company, as amended from time to time
"Audit Committee"	refers to the Audit Committee under the board of directors
"BD Transaction"	the license out transaction within the innovative drugs filed in the biopharmaceutical industry, namely pipeline abroad. Under this model, the innovative pharmaceutical companies conduct early-stage research and development of drugs and then license the projects to overseas pharmaceutical companies for late-stage clinical research and development and commercialization in order to obtain upfront payment, milestone payment, and sales share
"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/Fermenter System"	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
"Companies Ordinance"	refers to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"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
"CXO"	Contract X Organization, is a pharmaceutical outsourcing service, mainly including organizations that serve the three major links of research and development, production and sales in the pharmaceutical industry
"Deed of Non-Competition"	the deed of non-competition undertaking dated 10 February 2021 entered into by our Controlling Shareholders in favour of the Company, further information of which is set forth in the section headed "Directors' Report" in this annual report
"Digital Operation and Maintenance"	means to apply the Internet of Things (IoT) technology to enable local or remote management of the operation, maintenance of equipment and buildings via a digital platform. This significantly improves management efficiency and level, and really achieves the purposes of cost reduction and efficiency improvement
"Egypt"	refers to the Arab Republic of Egypt

"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
"EU"	refers to the European Union
"EUR" or "Euro"	refers to euro, the lawful currency of the Eurozone
"G5 Grade"	wet electronic chemicals are classified into five grades of purity ranging from G1 to G5 according to the standards established by Semiconductor Equipment and Materials International, of which G5 is the highest purity grade, with extremely stringent requirements for metal impurity content, applicable manufacturing processes, and particulate matter
"Germany"	refers to the Federal Republic of Germany
"Greece"	refers to the Hellenic Republic
"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
"INR"	refers to Indian Rupee, the lawful currency of India
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, the United Nations or the Government of Australia

"Iraq"	refers to the Republic of Iraq
"Italy"	refers to the Republic of Italy
"Japan"	refers to Japan
"JPY"	refers to Japanese Yen, the lawful currency of Japan
"Korea"	refers to the Republic of Korea
"Lifesciences Singapore"	Morimatsu Lifesciences (Singapore) Pte. Ltd., a private company incorporated in Singapore with limited liability on 22 December 2023 and an indirect wholly-owned subsidiary of the Company
"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
"Lithium Hexafluorophosphate"	refers to an important electrolyte (the four major components of a power cell: positive electrode material, negative electrode material, electrolyte, and separator) that conducts ions and electrons between the positive and negative electrodes
"Main Board"	refers to Main Board of the Stock Exchange
"Malaysia"	refers to the Federation of Malaysia
"Mexico"	refers to the 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. (上海森松生物科技有限公司), a company established in the PRC on 17 January 2022 with limited liability and an indirect wholly-owned subsidiary of the Company

"Morimatsu Chemical"	Shanghai Morimatsu Chemical Equipment Co., Ltd. (上海森松化工成套裝備有限公司), a company established in the PRC with limited liability on 17 November 2004, which is owned by Morimatsu Seiki and 株式會社森松總合研究所 as to 80.85% and 19.15%, respectively
"Morimatsu China"	Morimatsu (China) Investment Co., Ltd (森松(中國)投資有限公司), a company established in the PRC with limited liability on 7 June 2010 and a direct 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 a direct 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
"Morimatsu Group (森松グループ株式會社)"	Morimatsu Group Co., Ltd., formerly known as Morimatsu Holdings Co., Ltd. (森松ホールディングス株式會社), 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 Heavy Industry"	Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司), a company established in the PRC on 13 May 2008 with limited liability and an indirect wholly-owned subsidiary of the Company
"Morimatsu Holdings"	Morimatsu Holdings Co., Ltd. (森松ホールディングス株式會社), formerly known as Morimatsu Industry Co., Ltd. (森松工業株式會社), 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 Houston"	Morimatsu Houston Corporation, a company incorporated in the United States with limited liability on 17 January 2008, and an indirect wholly-owned subsidiary of the Company
"Morimatsu LifeSciences"	Morimatsu (Suzhou) LifeSciences Company Limited (森松(蘇州)生命科技有限公司), a company established in the PRC with limited liability on 26 September 2021 and an indirect wholly-owned subsidiary of the Company
"Morimatsu Pharmaceutical"	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 non-wholly owned subsidiary of the Company

"Morimatsu Pressure Vessel"	Shanghai Morimatsu Pressure Vessel Co., Ltd (上海森松壓力容器有限公司), now known as Shanghai Nagamori Machinery Co., Ltd. (上海森永工程設備股份有限公司), a company established in the PRC with limited liability on 14 October 1990, which is owned as to 55.76% by Mr. Wang Guobin (王國斌), 25.30% by Shanghai Haitai Plastic Machinery Co., Ltd. (上海海太塑料機械有限公司), 14.94% by Shanghai Saima Enterprise Consulting Management Partnership (Limited Partnership) (上海賽瑪企業諮詢管理合夥企業(有限合夥)) and 4.00% by Wang Tianxin (王天馨), being Independent Third Parties promoters, respectively
"Morimatsu Seiki"	Shanghai Morimatsu Seiki Co., Ltd. (上海森松精機有限公司), a company established in the PRC with limited liability on 24 September 2019, and wholly-owned by Morimatsu Holdings
"Morimatsu Singapore"	Morimatsu (Singapore) Pte. Ltd., a private company incorporated in Singapore with limited liability on 17 October 2023 and a direct wholly-owned subsidiary of the Company
"Morimatsu T&S"	Morimatsu Technology and Service Company Limited (森松T&S株式會社), a company incorporated in Japan with limited liability on 27 November 2023 and an indirect wholly-owned subsidiary of the Company
"Nomination Committee"	refers to the Nomination Committee of the Board
"Pharmadule Singapore"	Morimatsu Pharmadule (Singapore) Pte. Ltd., a private company established in Singapore with limited liability on 16 January 2023, which is an indirect wholly-owned subsidiary of the Company
"Pharmadule Sweden"	Pharmadule Morimatsu AB (formerly known as Goldcup 6476 AB), a company incorporated in Sweden with limited liability on 3 March 2011 and an indirect wholly-owned subsidiary of the Company
"Pharmadule T&S"	Pharmadule T&S Co., Ltd. (ﾌｧｰﾏｼﾞｭｰﾙT&S株式會社) (formerly known as Shanghai Morimatsu Co., Ltd (上海森松株式會社) and Morimatsu Industry Bunkatsu Junbi Co., Ltd. (森松工業分割準備株式會社), Morimatsu Technology and Service Company Limited (森松T&S株式會社)), a company incorporated in Japan with limited liability on 31 January 2014 and an indirect wholly-owned subsidiary of the Company
"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 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 annual 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
"Remuneration Committee"	refers to the Remuneration Committee of the Board
"Renminbi" or "RMB"	refers to Renminbi, the lawful currency of the PRC
"Reporting Period"	refers to the period of one year from 1 January 2024 to 31 December 2024
"RM" or "MYR"	refers to Ringgit, the lawful currency of Malaysia
"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
"Separator"	located between the positive electrode and the negative electrode of a power battery with the main function of separating the positive and negative active materials to prevent the two electrodes from getting short-circuited caused by contact
"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
"SGD"	the legal currency of Singapore, the Singapore dollar
"Shareholders"	refers to holders of the Shares of the Company
"Shares"	refers to ordinary shares of the Company
"Singapore"	refers to the Republic of Singapore
"Single-use Bioreactor"	refers to a bioreactor using a disposable bag instead of a culture container made of stainless steel or glass, also known as Disposable Bioreactor

Definitions and Glossary

"Stock Exchange"	refers to The Stock Exchange of Hong Kong Limited
"Sweden"	refers to the Kingdom of Sweden
"Switzerland"	refers to Swiss Confederation
"Turkey"	refers to the Republic of Turkey
"United States" or "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
"%"	per cent

In this annual 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.