



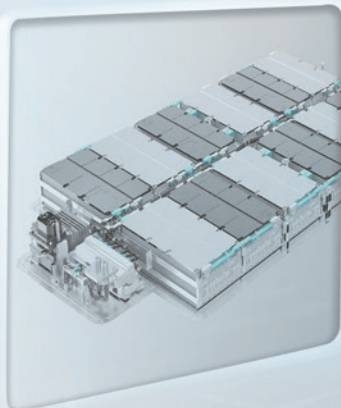
**MORIMATSU**  
Your Needs · Our Drive

**Morimatsu International Holdings Company Limited**

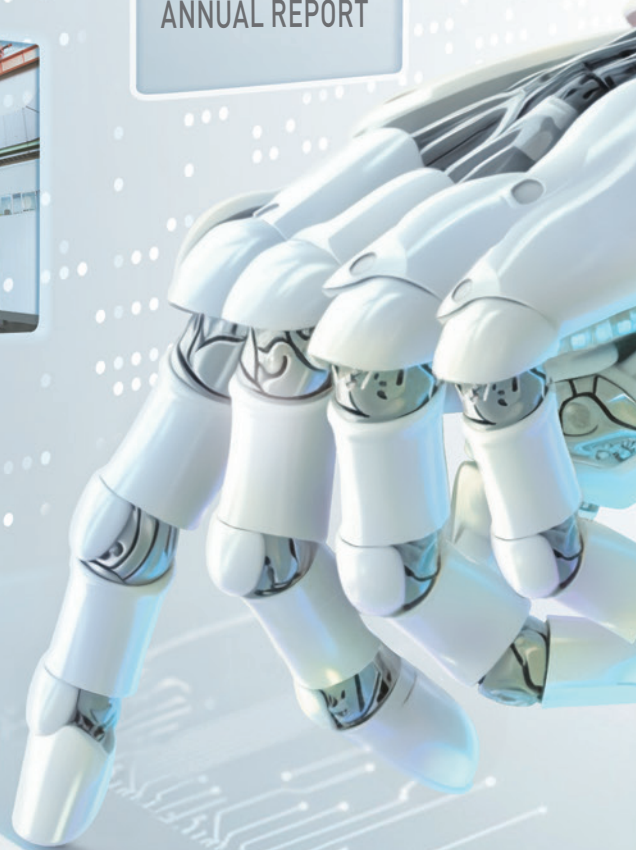
**森松國際控股有限公司**

(Incorporated in Hong Kong with limited liability)

Stock code : 2155

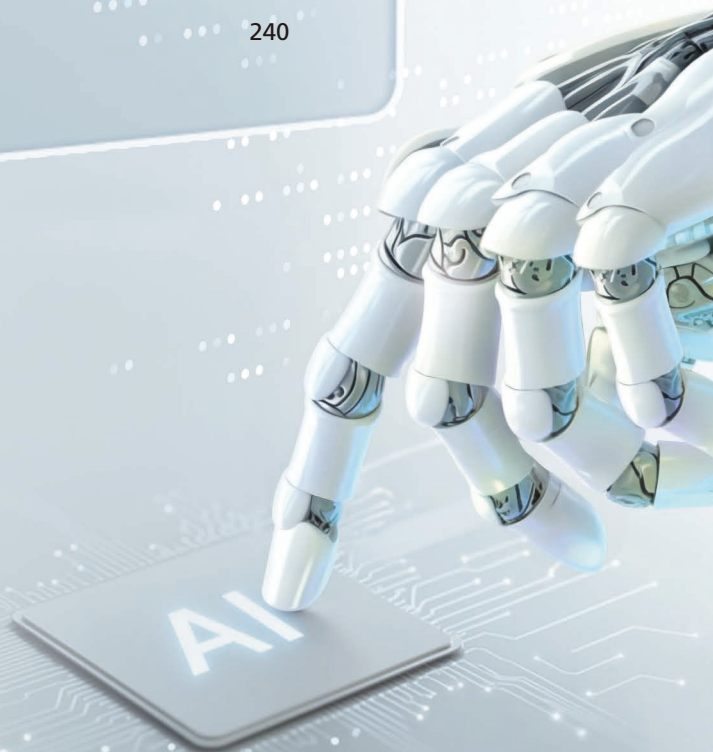


**2025**  
ANNUAL REPORT



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. Matsuhisa Terumoto (*Chairman*)

### Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly  
Mr. Kuraishi Hideaki (With effect from March 23, 2026)  
Mr. Yu Jianguo  
Mr. Kanno Shinichiro (Ceased on December 24, 2025)

## REGISTERED OFFICE

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

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

6/F, No. 88 South Shendi Road  
Pudong New District, Shanghai, PRC

## COMPANY'S WEBSITE ADDRESS

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

## JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap  
Ms. Lau Wai Yee

## AUTHORISED REPRESENTATIVES

Mr. Nishimatsu Koei  
Ms. Lau Wai Yee

## AUDIT COMMITTEE

Ms. Chan Yuen Sau Kelly (*Chairperson*)  
Mr. Kuraishi Hideaki (With effect from March 23, 2026)  
Mr. Matsuhisa Terumoto  
Mr. Kanno Shinichiro (Ceased on December 24, 2025)

## REMUNERATION COMMITTEE

Mr. Yu Jianguo (*Chairman*)  
Mr. Kuraishi Hideaki (With effect from March 23, 2026)  
Mr. Matsuhisa Terumoto  
Mr. Kanno Shinichiro (Ceased on December 24, 2025)

## NOMINATION COMMITTEE

Mr. Matsuhisa Terumoto (*Chairman*)  
Ms. Chan Yuen Sau Kelly  
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 3203–3209, 32/F, Edinburgh Tower  
The Landmark, 15 Queen’s Road Central  
Central, Hong Kong

## AUDITOR

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

## STOCK CODE

2155

# Chief Executive Officer's Statement

## Dear Shareholders, Investors and Business Partners,

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 2025, with an aim to provide a recap of the journey during the past year and an outlook of our future development.

In 2025, the global geopolitical landscape was deeply intertwined, and the economic environment remained fraught with uncertainty. Under such turbulent global conditions, all employees of the Group stood united in navigating through the headwinds. We remained confident in achieving our goals, honed our strengths with resilience, and proved our value with tangible results. Buoyed by the unwavering support of the Board, we achieved a rebound in performance after hitting rock bottom, successfully weathering the challenging times.

**Adapting to the Times: Keeping pace with the times and aligning with global trends.** Today, the world is undergoing profound technological innovation and industrial transformation. Public health, green energy, and digital technology have become universally shared concerns, while reshaping supply chain security has become an irreversible trend. The Group consistently contextualises its development within the broader era, proactively adjusting its strategic priorities. We continually expand our business scope in emerging fields such as biopharmaceutical, new energy, novel materials, and smart computing. By aligning with market dynamics, exploring new directions, and delving into potential demand, we actively translate these insights into tangible actions.

**Global Expansion: Creating cross-border synergy, from points to areas.** During the Reporting Period, the Group further expanded its strategic footprint by acquiring the Swiss-based Bioengineering AG, injecting robust momentum into development in the biopharmaceutical and synthetic biology sectors. Following a series of internal integration and optimization efforts, Bioengineering AG will synergize with other brands under the Group to extend the upstream pharmaceutical supply chain and create higher-value incremental opportunities for downstream industries. In 2025, construction of phase II of the Malaysian manufacturing base was successfully completed. As a pioneer in advancing global manufacturing, this facility serves as a critical hub. In the fourth quarter of the same year, the Group contracted with a new partner to lease premises in Chonburi Province, Thailand, as a new manufacturing base, and the renovation work has commenced. In the future, these efforts will further enhance overseas hardware production capacity, offering customers more options.

**Tech-driven Excellence: Unwavering innovation forges excellence.** The Group's vibrant vitality stems from persistent technological advancement and product innovation. The Group maintains long-term commitment to research and development investment, striving to build leading advantages in core processes, engineering design, material synthesis, smart manufacturing, digital delivery and other fields. In 2024, artificial intelligence technology has experienced a comprehensive breakthrough. From massive storage to smart computing, every technological leap imposes higher-level requirements on various aspects of the Group, including product delivery, research and development capabilities, operational efficiency, and human resources. The Group believes that, what we deliver is not merely the product itself, but more importantly, a commitment to the security, stability, and profitability of our customers' projects, whether now or in the future. Moving forward, the Group will remain committed to scientific research and innovation, keeping pace with the evolving innovation demands of downstream industries to deliver increasingly diverse and exceptional products and services to customers.

**Gathering Talent, Pooling Wisdom: Tempered into resilience, bound by culture.** Human resource development of the Group consistently balances specialization and versatility. Approximately 10% of personnel focus exclusively on specific niche areas, dedicating themselves to refining processes and advancing technological research and development. Over 70% of staff are capable of supporting various product lines and business segments, effectively enhancing overall operational flexibility and resource utilization efficiency. During the Reporting Period, both the total number of active employees and the number of foreign employees reached historic highs. The Group believes that a diverse talent pipeline will better facilitate cross-regional communication internally and externally, fostering a more multifaceted global perspective. By leveraging each other's strengths and advancing collaboratively, we are poised to achieve mutual success across all stakeholders.

**Navigating into the Future: Joining forces to embark on a new journey.** In 2026, the Group will continue to focus on four major directions: premiumization, greening, intelligentization, and internationalization. With keen insight and unwavering conviction, we'll stay realistic and pragmatic while charging ahead. In an era where evolution thrives and risks persist, the Group recognizes that only by keeping pace with the times, confronting challenges with a global perspective, and serving customers with cutting-edge technologies and differentiated offerings can we achieve sustainable progress and co-create value.

In the year ahead, let us gallop forward with determination, unite in common purpose, and venture together into the promising future!

**Nishimatsu Koei**  
*Chief Executive Officer*

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Nishimatsu Koei (西松江英)**, aged 61, of Japanese nationality, was appointed as an executive Director on 1 September 2020 for the first time. 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 35 years of industry experience in the fields of chemical processes, engineering, and equipment. 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 (中歐國際工商學院) 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 42, of Japanese nationality, was appointed as an executive Director on 1 September 2020 for the first time. 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 over 15 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

## Directors and Senior Management

T&S. Since March 2025, he has served as a director of Pharmadule US. Since April 2025, he has served as a director of Pharmadule Sweden and Morimatsu Italy. Since August 2025, he has served as a director of Morimatsu Thailand. Since September 2025, he has served as a director of Bioengineering AG. Since November 2025, he has served as a director of MET India.

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 56, of Chinese nationality, was appointed as an executive Director on 1 September 2020 for the first time, 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, director of Lifesciences Singapore and director of Morimatsu Thailand.

Mr. Tang has over 25 years of industry experience in the fields of chemical processes, engineering, and equipment. 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. Since March 2022, he was elected as a council member by Shanghai Producer Services Promotion Association (上海市生產性服務業促進會). 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. Since April 2025, he has served as an expert on the Standardization Technical Committee of Shanghai Producer Services Promotion Association. Since August 2025, he has served as a director of Morimatsu Thailand.

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 51, of Chinese nationality, was appointed as an executive Director on 1 September 2020 for the first time, 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, a director of Morimatsu Singapore, chairman of Ei-Mori Fluid, a director of Morimatsu Dialog and chairman of Morimatsu Technology and Trade.

## Directors and Senior Management

Mr. Sheng has around 30 years of industry experience in the fields of chemical processes, engineering, and equipment. 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. Since June 2025, he has served as chairman of Ei-Mori Fluid. Since July 2025, he has served as a director of Morimatsu Dialog. Since August 2025, he has served as chairman of Morimatsu Technology and Trade.

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. He subsequently obtained the senior principal engineer certificate issued by Shanghai Municipal Human Resources and Social Security Bureau in October 2025.

**Mr. Kawashima Hirotaka (川島宏貴)**, aged 55, of Japanese nationality, was appointed as an executive Director on 1 September 2020 for the first time, 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 30 years of industry experience in the fields of chemical processes, engineering, and equipment. 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 (中歐國際工商學院) in the PRC in August 2014.

### Non-executive Director

**Mr. Matsuhisa Terumoto (松久晃基)**, aged 62, of Japanese nationality, was appointed as a non-executive Director on 1 September 2020 for the first time. 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 40 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 55, of Chinese nationality, was appointed as our independent non-executive Director on 10 February 2021 for the first time. She is also the chairperson of the audit committee and a member of the nomination 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 Moët 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 GBA Women Directors Association Limited.

## Directors and Senior Management

Ms. Chan is currently a member of various advisory boards, including the Hong Kong Housing Authority, the Town Planning Board of Hong Kong, the Environment & Conservation Fund Committee of Hong Kong, the Hong Kong Academy for Performing Arts and the United College of the Chinese University of Hong Kong. Ms. Chan was previously the chairperson of the Employees' Compensation Insurance Levies Management Board of Hong Kong. She also served on the boards of the Air Transport Licensing Authority of Hong Kong, the Council of the Chinese University of Hong Kong, the council of 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 82, of Japanese nationality, was appointed as our independent non-executive Director on 10 February 2021 for the first time. Mr. Kanno was responsible for supervising the management of the Group and providing independent judgment to our Board. He was also a member of the audit committee and remuneration committee of our Board. On 24 December 2025, due to the passing away of Mr. Kanno, he ceased to be an independent non-executive Director and a member of the audit committee and remuneration committee.

Mr. Kanno has around 60 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 (株式會社みずほファイナンシャルグループ) (“**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 (瑞穂銀行有限公司), 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). From June 2021 to June 2025, he has held the position of supervisor of Toyodensho Co., Ltd. (東洋電裝株式會社, a non-listed company).

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

**Mr. Yu Jianguo (于建國)**, aged 65, of Chinese nationality, was appointed as an independent non-executive Director on 10 February 2021 for the first time. Mr. Yu is responsible for supervising the management of the Group 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 School 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 Society of Chemistry and Chemical Industry (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).

From March 2020 to April 2025, Mr. Yu was a non-executive director of Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司), whose shares are listed on the Stock Exchange (stock code: 1772).

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.

**Mr. Kuraishi Hideaki (倉石英明)**, aged 66, of Japanese nationality, was appointed as an independent non-executive Director on 23 March 2026 for the first time. Mr. Kuraishi 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 remuneration committee of our Board.

Mr. Kuraishi has over 35 years of experience in the financial and banking industry. He commenced his career in April 1984 at the Industrial Bank of Japan, Ltd. (“**IBJ**”), where he served until March 2002. During his tenure at IBJ, he held various senior positions, including senior manager and department head at multiple branches and divisions in Japan and the United States. He was mainly responsible for new financial product development, risk analysis and control, and corporate lending. In April 2002, IBJ merged with two other Japanese banks to form Mizuho Financial Group, Inc. (株式會社みずほファイナンシャルグループ) (“**MFG**”), a company listed on the Tokyo Stock Exchange (stock code: 8411) and the New York Stock Exchange (stock code: MFG). From April 2002 to June 2013, Mr. Kuraishi served in various senior management roles at Mizuho Corporate Bank, Ltd., a subsidiary of MFG, including deputy general manager of the project finance department in Tokyo head office, and executive officer and general manager of the structured finance division in London, UK. From July 2013 to June 2014, he served at Mizuho Bank, Ltd., formerly known as Mizuho Corporate Bank, Ltd., due to the bank's name change. From July 2014 to June 2020, Mr. Kuraishi served as managing executive officer and head of the international finance group at Aozora Bank, Ltd., a company listed on the Tokyo Stock Exchange (stock code: 8304). From June 2020 to June 2024, he served as a supervisor (statutory auditor) of Penta-Ocean Construction Co., Ltd., a company listed on the Tokyo Stock Exchange (stock code: 1893). Since June 2024, Mr. Kuraishi has been serving as a supervisor of two non-listed companies, namely Kyowa Marine Transportation Co., Ltd. and Nippon Steel Kowa Real Estate Co., Ltd.

Mr. Kuraishi obtained the Certified Internal Auditor qualification from the Institute of Internal Auditors in December 2024 and the Certified Fraud Examiner qualification from the Association of Certified Fraud Examiners in October 2025.

Mr. Kuraishi obtained a bachelor of laws degree from Kyoto University, Japan, in March 1984 and a master of laws degree from the University of Michigan, the United States, in December 1989.

### 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.

## Directors and Senior Management

### JOINT COMPANY SECRETARIES

**Mr. Lee Kenneth Hoi Nap (李凱納)**, aged 41, was appointed as a joint company secretary of the Company on 25 September 2020. Mr. Lee has over 15 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 60, was appointed as a joint company secretary of the Company on 25 September 2020. Ms. Lau is a director of Conyers Consulting Limited (formerly known as Immanuel Consulting Limited), a licensed company service provider specialising in integrated business and corporate services. Ms. Lau has over 35 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 2025 is extracted from consolidated financial statements in this Annual Report. The financial information for 2021 was restated accordingly due to the completion of acquisition of 100% equity interest in Morimatsu Houston on 28 February 2022.

OPERATING RESULTS	For the year ended 31 December				
	2021	2022	2023	2024	2025
	(restated) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4,286,222	6,486,277	7,360,262	6,948,354	<b>6,954,932</b>
Gross profit	1,183,583	1,793,386	2,055,704	2,049,777	<b>1,816,583</b>
Profit before taxation	449,143	760,917	984,334	911,254	<b>717,046</b>
<b>Profit for the year</b>	<b>381,838</b>	<b>666,182</b>	<b>842,548</b>	<b>729,881</b>	<b>584,292</b>
<b>Profit/(loss) for the year attributable to</b>					
Equity shareholders of the Company	381,838	669,266	844,684	737,241	<b>599,593</b>
Non-controlling interests	—	-3,084	-2,136	-7,360	<b>-15,301</b>
	<b>381,838</b>	<b>666,182</b>	<b>842,548</b>	<b>729,881</b>	<b>584,292</b>
FINANCIAL POSITION	As at 31 December				
	2021	2022	2023	2024	2025
	(restated) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	5,704,508	7,960,582	8,932,076	8,908,333	<b>10,126,819</b>
Total liabilities	3,696,699	5,137,936	4,541,467	3,632,477	<b>4,268,428</b>
Net assets	2,007,809	2,822,646	4,390,609	5,275,856	<b>5,858,391</b>
Equity attributable to equity shareholders of the Company	2,007,809	2,815,730	4,382,491	5,048,359	<b>5,599,317</b>
Non-controlling interests	—	6,916	8,118	227,497	<b>259,074</b>
Total equity	2,007,809	2,822,646	4,390,609	5,275,856	<b>5,858,391</b>

# Management Discussion and Analysis

## MISSION STATEMENT

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

## DEVELOPMENT VISION

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

## CORPORATE VALUE

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

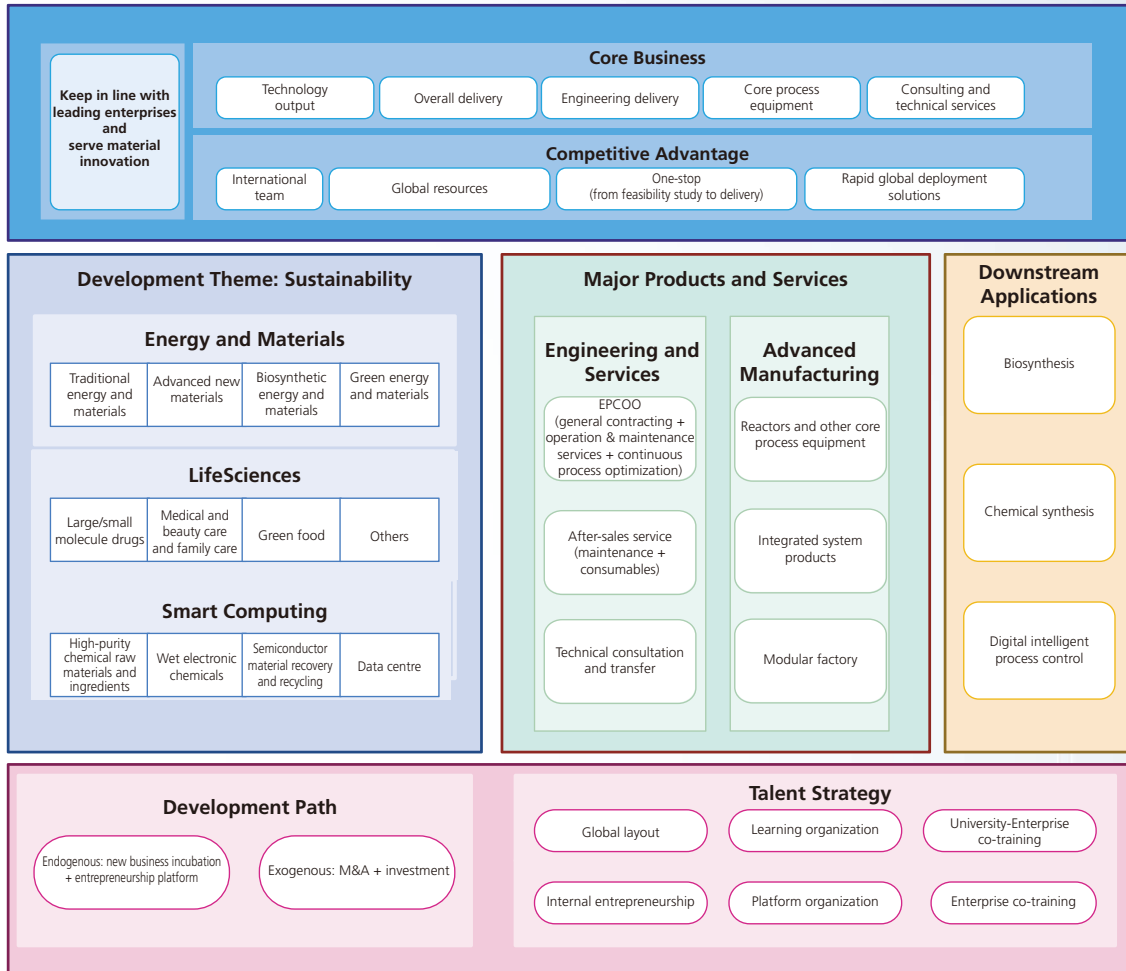
## CORPORATE AND OPERATING STRATEGIES

In the pursuit of sustainable and high-quality development, corporate strategies typically refer to the thinking patterns and action guidelines adopted by an enterprise in response to the dynamic changes in the macro-environment, which encompass setting growth objectives, rationally allocating resources, meticulously cultivating talent, designing and planning products, and nurturing and expanding markets. They also serve as the core values and intrinsic driving force guiding the enterprise to continuously build and enhance its competitive advantages amid ongoing environmental shifts.

Changes in the macro-environment are key drivers of corporate strategic adjustments and unavoidable variables in an enterprise's development journey. Therefore, an enterprise must conduct comprehensive and in-depth consideration of these factors when formulating its development strategies. The Group's development strategy is formulated based on the objective reality of long-term coexistence among diverse customer demands and market environments, which aims to avoid over-reliance on any single track, market, product, or demand cycle.

Over more than 30 years of our global operations, we have successively navigated several critical developmental phases: (1) the "Import Substitution" demand cycle in the Chinese market; (2) the full industrial chain construction cycle in the Chinese market; (3) the supply chain globalization cycle in overseas markets; (4) the industrialization cycle in developing countries; and (5) the current supply chain diversification cycle in global markets. Continuously meeting the diverse needs of different industrial and international customers across such varying demand cycles has always been the fundamental starting point for us when establishing the Group's corporate strategies.

**Illustration for the Corporate Strategy of the Group**  
**Diversification + Globalization + Intelligentization**



**Highly Certain Performance of our Business in an Uncertain Environment**

In the post-pandemic era, the global economic recovery has not progressed as expected, and uncertainty has become a normal state of corporate survival and development. Coupled with the frequent occurrence of geopolitical events worldwide, it has profoundly impacted the implementation of corporate strategies, the allocation of global resources, and the fulfillment of growth expectations. As a result, coexisting with uncertainty has become one of the core competencies for the survival and development of contemporary enterprises. For enterprises, especially multinational corporations, the ability to recognize, adapt to and overcome these uncertainties is gradually becoming a key competitiveness for their sustainable development.

## Management Discussion and Analysis

During the Reporting Period, the Group continued to cope with the challenges arising from multiple macro-environmental changes at the operational level: (1) rapid contraction in demand from key end markets, (2) drastic fluctuations in the international geopolitical landscape, (3) overcapacity in certain key downstream industries, and (4) adjustments to the global low-carbon policy. In the face of continuous decline in overall market demand, the Group has continued to cultivate existing markets while actively exploring new areas by leveraging its deterministic Alpha strategy, supported by its dynamic Beta advantage, and focusing on serving its customer base of leading global and regional enterprises. Such initiatives have not only led to a rapid rebound when our orders bottomed, but also continued to enhance the certainty of our business performance and made our future development path increasingly clear.

### **Deterministic Alpha Strategy**

The Group has developed diverse and dynamically adaptive capabilities in its operations, which are demonstrated in a wide range of areas such as downstream industries and market layout, customer base composition, product and technology portfolio and service models. When a single industry or market inevitably falls into a cyclical downturn, these diversified elements serve as a buffer, which can not only achieve the balance of “blockage in one place and access to other places” in the broad international market, but also achieve the complementary “lose at sunrise and gain at sunset” effect among the diversified business segments, thereby enhancing our overall ability to withstand cyclical fluctuations.

During the Reporting Period, the Group received substantial orders from clients across diverse industries, including pharmaceutical and biopharmaceutical, raw materials for power batteries, family care and oil and gas refinery in North and South America, Asia, Europe and Oceania.

### **Dynamic Beta Advantage**

The core competitiveness of an enterprise is reflected in four dimensions: the ability to continuously innovate in the industry, the ability to respond to the customers’ requests, the ability to predict risks and make dynamic adjustments, and the ability to flexibly adjust to the changes in the market. In the process of building our deterministic Alpha capability, the ability to develop differentiated competitive advantage in a single sector is crucial. Such an advantage cannot be hastily built when industry opportunities arise, but relies on long-term accumulation of industry reputation, stable customer relationships, and solid technological reserves. Only with these deep foundations can an enterprise swiftly seize opportunities and gain competitive ground when the cycle turns upward and demand emerges.

The Group has achieved a high degree of versatility and compatibility in terms of human resources, underlying technology layout and hardware resources. Except for a small number of specialized craftsmen focusing on specific industries, most management personnel, engineering technicians and manufacturing staff possess the capability to serve multiple industries and products. Our manufacturing bases can also adapt to different industries and products by implementing localized adjustments and rapidly switching service scenarios in response to cyclical fluctuations in downstream industries, ensuring that production capacity and demand remain efficiently aligned at all times.

Our high-quality customer base provides a strong driving force for the continuous iterative innovation of the Group’s technologies and products, while the broad global market is always surging with versatile and dynamic demands. Against the backdrop of cyclical fluctuations in various industries and markets, the Group’s strategic combination of “Deterministic Alpha + Dynamic Beta” has enabled it to accurately capture opportunities amid uncertainties and to flexibly deploy its strategies. This approach not only allows the Group to complete adjustments quickly, but also ensures a rapid rebound from cyclical downturns, demonstrating its strong resilience and ability to cope with emergencies.

### Corporate Development and Continuous Growth

Since the late 20th century, the Group has collaborated with leading enterprises across various industries and multinational corporations. From participating in their investment projects in China to gradually integrating into their global supply chain systems, the Group has continuously enhanced its position within the supply chains of numerous multinational enterprises over 30 years of operation. It has also maintained long-term, stable partnerships with many leading enterprises in downstream industries. Leveraging its keen insights into industry trends, the Group delivers diversified products and services to the same clients across different countries and regions.

The Group's core technological capability lies in transforming downstream original technologies (such as laboratory techniques and small-scale production methods) into highly integrated, high-performance, and economically viable engineering products and solutions. Each technological advancement from downstream industries drives the Group's product and technology iterations. Simultaneously, by leveraging its deep talent pool, specialized R&D teams, and diverse industry experience, the Group assists downstream enterprises in jointly bringing new technologies and products to market. Through digitalized full-lifecycle technical solutions, the Group enhances the technical attributes and upgrade potential of core equipment across various industries. This enables the delivery of deeper value-added services, thereby increasing customer loyalty and accompanying downstream enterprises in achieving technological innovation and industry advancement.

The Group's core business originates from capital expenditure projects in downstream industries. The demands of leading enterprises in these sectors reflect future industry trends and cutting-edge technological advancements. The Group maintains long-standing collaborative relationships with these industry leaders, consistently aligning with their developmental needs to empower their transition to commercial production. Driven by global industrial development, sectors such as non-traditional energy, renewable materials, advanced biomedicine, and wet electronic chemical materials exhibit characteristics of diversified end-demand types, diversified raw material origins, and diversified supply chains. The Group continues to leverage its globally distributed technological reserves and R&D capabilities, its abundant hardware production capacity in the Asia-Pacific region, and its extensive customer and market resources to maintain orderly and stable operations. It is also actively penetrating the value chain of new product and technology demands in downstream industries, continuously increasing the proportion of service-related revenue.

### Resource Planning

#### Human Resources Shift toward Technology and Global Service Needs

The Group has always maintained the development concept of prioritizing talents. Through social recruitment, campus recruitment, internal referral and other various channels, the Group has broadly recruited technical, management and operational personnel with global service capabilities to continuously build a high-quality team capable of serving customers and projects.

#### Overseas Hardware Production Capacity

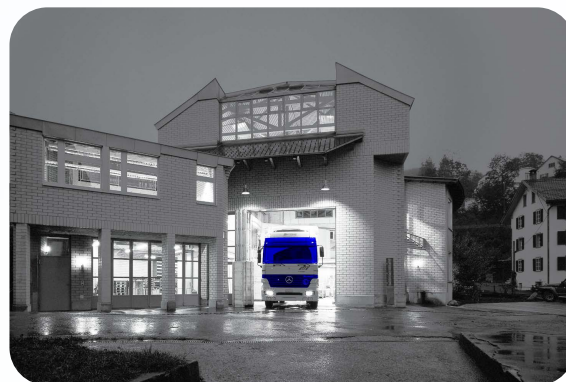
The Group continuously expanded the production capacity of its Malaysia manufacturing base and successfully delivered orders from various parts of the world during the Reporting Period, covering multiple downstream industries such as electronic chemicals (wet electronic chemicals), raw materials of power battery, petrochemicals and daily chemicals, and served customers including global and regional leading enterprises in various industries. In addition, the Group will fully utilize the geographical conditions of the Malaysia manufacturing base, which is adjacent to the Pacific Ocean, to establish independent deep-water vessel berthing capability, and continuously enhance its manufacturing and delivery capabilities of high-end industrial equipment for multiple industries.

## Management Discussion and Analysis

During the Reporting Period, through the acquisition of Bioengineering AG in Switzerland, the Group not only expanded its service network to Central Europe but also added a new manufacturing base. Bioengineering AG has profound expertise in the research and development and manufacturing of fermentation and bioreaction systems, with significant technological and brand advantages. Building diversified sales channels, production bases and technical support is essential for the Group to achieve its global strategic goals. In the future, the Group will fully utilize its global production capacity to serve global customers, actively engage in the process of a new round of technological transformation and product iteration across multiple industries, provide advanced products and services to customers from different countries and regions, and contribute its modest efforts to building a healthier society, a greener environment, and a smarter life.



Malaysia manufacturing base



Switzerland manufacturing base

### Overseas Technology Hub

On the basis that its subsidiaries in Malaysia and Singapore are already equipped with global service capabilities, the Group will further consolidate the manpower resources and technical reserves from its subsidiaries in India, positioning Southeast Asia as the strategic pivot to serve the new wave of globalization.

At the same time, the Group will continue to strengthen the construction of technology hubs in places such as Italy, Sweden, the U.S., Japan and Singapore, and continuously cooperate with downstream enterprises (customers), upstream enterprises (key component suppliers), scientific research institutions and local universities on the joint development of new technologies and new products, joint expansion of new application scenarios, and joint layout of new industrial chains.

### Demand and Direction of Mergers and Acquisitions (“M&A”)

In addition to continuously promoting the construction of overseas production capacity and technology service hubs, the Group is also determined to explore the feasibility of mergers and acquisitions on a global scale. As a way of strategic investment in business and resources, M&A has always been regarded as a strategic act for enterprises to achieve breakthroughs in operations and markets, as well as a tactical shortcut to realize the second growth curve.

The Group’s M&A targets are generally organizations that have business synergies and can empower the sustainable development of the enterprise, including but not limited to: (1) similar enterprises, (2) enterprises supplying key components in the upstream of the industrial chain, (3) enterprises that can provide greater market access for existing products and technologies, (4) enterprises that can achieve internationalization and empowerment, and (5) enterprises that can empower a second growth curve.

Based on fully guaranteeing the interests of Shareholders, the Group currently adopts a prudent and decisive investment approach, considering both the current financial situation and the needs for strategic development, and does not easily resort to high financial leverage or rely on the mentality of taking chances to speculate, and selects sensible, reasonable and appropriate target companies in the international market. Meanwhile, the Group is also actively building up an after-sales team with international business management capabilities to ensure that M&A is a milestone in the development of the enterprise, rather than end point.

The Group continues to focus on quality enterprises and technology entities worldwide, and actively engaged with teams and enterprises for further cooperation during the Reporting Period through proactive exchanges and other means. In view of the status and demand for the enhancement of the enterprise's comprehensive global competitiveness, the shortcomings in the value chain and the need for further expansion of international talents and overseas production capacity, the Group will further increase its investment in M&A to realize cross-border and globalization in terms of geographic location and at the same time, to truly consolidate worldwide expertise and enhance the comprehensive capability of rapid and global delivery in terms of technology and product reserves, manpower and hardware resources as well as customer services.

### Market Strategy

#### Market-Specific Demand Cycles

With the rapid popularization of artificial intelligence (“AI”) technology application scenarios, the Group has noticed the rapid growth in global demand for computing power and its infrastructure. The Group possesses robust technical expertise and extensive project experience in intelligent engineering and high-efficiency heat exchange and energy consumption management of microchannel reactors. These capabilities enable rapid delivery of computing infrastructure, empowering AI service providers and computing power enterprises to rapidly achieve global production capacity deployment. Data center related products are expected to be one of the Group's key promotion areas in the coming years.

#### Overall Market Demand Cycles

Closely focusing on the three development themes of “Healthy”, “Green” and “Smart”, combined with the technological updates and product iterations of downstream industries, the Group systematically empowers the development of customers in key areas such as environmentally friendly materials, sustainable energy, the realization of commercialized production capacity of biopharmaceuticals, and global computing power enhancement by providing “MVP Solutions+” covering core equipment, value-added services and overall solutions (including process packages, detailed design, delivery of module plants, and pre-sales and after-sales services), so as to continuously respond to the diversified needs of global customers.

“Sustainability” is not only a strategic goal for the development of the Group but also a common mission 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); and
- (4) sustainable industrial development model (modular factory solutions).

## Management Discussion and Analysis

### Product Strategy

#### **MVP Solutions+**

The technologies and products of the Group can 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.

**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 industrial level production scale.

**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.

**Plants — Highly Integrated Systematic Solutions:** This is an extreme industrial product that directly aims at customers who intend to commercialize their critical products 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.

**MVP Solutions+** refers to the product strategy that, based on the above three specific product forms, utilizes process packages as the technology carrier and continuous service as the interface for upstream and downstream interactions. Its advantages mainly include: (1) being closer to the customers’ value needs and enhance customer bonding; (2) being closer to the development trends of the downstream industry and actively integrate into the process of customers’ technology update and product iteration; (3) continuing to improve our competitive advantages, deepen the development of the moat effect and minimize the long-term homogeneous competition; (4) avoiding continuous investment in hardware assets and downplay the inevitable link between hardware capacity growth and business development; (5) continuously enhancing the Group’s technological attributes and continue to improve self-learning and evolutionary capabilities; and (6) developing a unique development model for manufacturing enterprises, avoiding dependence on a single product, a single market, and realizing continuous updating and iteration of core technologies and products.

### **Service Oriented, CAPEX+OPEX**

The Group has always been committed to providing its customers in various downstream industries with products, technologies and services of high technical standards, high quality requirements and high cost-effectiveness, and assisting them in obtaining high-quality and high-performance products and solutions to meet their budgets at the investment decision-making and the procurement stage of their projects. During the periods when industry leaders across sectors implement technological innovations, product iterations and capacity innovations, the Group's critical competitive edge lies in meeting customers' pricing requirements, to align with their CAPEX budgets.

OPEX estimation and economic benefit analysis are front-end services provided by the Group to customers at the project initiation stage based on the Group's own technology, project experience and industry supply chain information. This type of service assists customers to determine the type of technology to be invested in, the process flow, energy consumption index, operating break-even point and other key indicators that may be encountered when the project starts its operation stage, providing a scientific and quantitative basis for customers' final decision. The provision of OPEX analysis to customers can not only enhance customers' reliance on the Group in terms of technology, thereby building long-term trust relationships, but also help fundamentally avoid homogenized price-based competition at the later stage of CAPEX implementation, creating a differentiated competitive advantage.

Considering both the CAPEX and OPEX of customers, particularly those in leading and innovative industries, helps the Group to consistently provide them with the possibility to optimize their costs and allows the Group to be actively involved in the process of estimating their operating economics. Such a service model aims to create value (not just price advantages) for customers, with a platform of products and services covering the entire life cycle of a particular technology, where the Group's technology and experience avoid competition, its services and information create opportunities, and its technology and services have the ultimate mission of integrating into the entire life cycle demand of the products of its customers and downstream industries.

### **Future Products and Services**

In the post-pandemic era, the establishment of self-reliant and controllable industrial chains, especially in critical sectors such as public health and AI, has entered the core strategic agenda of nations worldwide. Both traditional and emerging industrial nations are actively advancing strategic localization initiatives, including building new and expanding existing production capacities, propelling technological upgrades and iterations, and compressing international industrial chain segments to enhance the resilience of their domestic supply chains.

The capability expansion and resource planning of the Group are rapidly shifting away from the traditional reliance on global division of labor. Instead of focusing solely on cost and efficiency, we are transitioning to a comprehensive model characterised by "customer-proximate production capacity, efficiency-driven service delivery, and sustained cost optimization". Moving forward, the Group will continue to deepen its presence in diverse international markets through initiatives such as independent development, joint ventures and M&A, thereby expanding its global industrial footprint.

## Management Discussion and Analysis

### CUSTOMER RELATIONSHIPS

#### Multinational Corporations

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 multinational corporation. A multinational corporation 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 international M&A.

The Group is committed to building itself into a comprehensive multinational enterprise with global operations, research and development ("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) U.S. — technical and project service center; (9) Mexico — engineering and project service center; (10) Malaysia — manufacturing base and project service center; (11) Thailand — engineering and project service center; and (12) Switzerland — manufacturing base and advanced technology service center.

#### Establishment, Maintenance and Development of Customer Relationships

The core competitiveness of the Group lies in the in-depth partnerships it has built with leading enterprises in various industries. Based on mutual empowerment, the Group jointly researches and develops the most cutting-edge technologies and products on the market at different stages of the development of these enterprises, thereby facilitating mutual growth. Targeting precisely the needs of multinational enterprises in different times, the Group has adopted a dynamic adjustment strategy to gradually develop comprehensive capabilities of trans-oceanic manufacturing, multinational service and global delivery on a systematic basis through the establishment of a global technology and service center network and the ongoing development of an international talent team.

Commencing with servicing projects of renowned multinational corporations in China, the Group has been aspiring to become a global industry leader, a technology pioneer and an emerging force in regional markets, delivering products and services that meet or even surpass international standards. Through longstanding engagement and communication with our customers, the Group has been able to gain sustained insights into cutting-edge technologies across industries and real-time demands of the global markets. This has, in turn, driven the rapid iterations and enhancements of our products, technologies and service models, enabling us to swiftly respond to and shape the development trajectories of downstream industries.

### HUMAN RESOURCES AND RESEARCH & DEVELOPMENT

Internationalized human resources construction is the core support for enterprises to achieve their strategic objectives in global competition, which requires enterprises to build up cross-cultural management capabilities and a globalized talent supply chain in their operations. As its international businesses expand significantly, the Group has adjusted its focus on talent recruitment and development. As at 31 December 2025, the Group had over 4,800 employees, with newly graduated master's and doctoral degree holders accounting for over 60% of the total number of fresh graduates, and non-Chinese employees accounting for approximately 10% of the total number of employees. Thanks to the further expansion of our highly educated, well-qualified, and diversified workforce, the Group has gained access to more multi-dimensional perspectives and a richer wellspring of ideas for sustained innovation. Furthermore, such enriched human resource structure has significantly bolstered the effectiveness of our communication with international customers and partners, effectively reducing the costs associated with misunderstandings and friction arising from cultural or cognitive differences. This, in turn, enables us to serve the industrial demands of our local and surrounding markets with greater precision and efficiency.

#### Human Resource Components: R&D, Process, Engineering, and Manufacturing

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

- (1) R&D personnel, who are personnel with specialized in scientific research and technological development, with the creation of new knowledge, new technologies, new products or new processes as their core responsibility. Such personnel serve in the R&D of the Group's new products and technologies, and are responsible for further improving product lines or expanding new downstream areas.
- (2) Process personnel, who are process designers in a particular downstream industry. This category of personnel directly serves the customers' process needs and has a high degree of specialization.
- (3) Engineering personnel, who are personnel with specialized knowledge in various fields such as machinery, plumbing, electrical and instrumental controls, or construction to serve the requirements of the process, and whose main duty is to assist craftspeople in ensuring the manufacturability of the products in the course of process design. This category of personnel has versatility across different industry business segments of the Group.
- (4) Manufacturing personnel, who are employees engaged in product manufacturing. Such personnel can carry out product manufacturing and construction work in accordance with the construction drawings prepared by engineers, process documents, and standard requirements. This category of personnel has a high degree of industry versatility and can satisfy the needs of the vast majority of the Group's product manufacturing.

The Group has established comprehensive career development planning, training systems, and promotion mechanisms, creating holistic channels for both new and existing employees to enhance their individual capabilities. In addition, the Group provides opportunities for employees to study abroad every year, encouraging them to translate their research subjects into practical application and, subsequently, into tangible outcomes. Such proactive approach allows us to reserve knowledge and technologies in anticipation of the next wave of market demands, ultimately achieving common growth for both the Group and its people.

## Management Discussion and Analysis

### Technology R&D

The Group supports its internal entrepreneurship team by providing them platform incubation services in addition to sharing with them resources and markets to facilitate the development of new products and technologies.

Through the establishment of joint laboratories with downstream enterprises, cooperation with renowned universities and internal independent innovation, the R&D team of the Group has been involved in a number of technological fields, such as (1) complete system for plant-derived human serum albumin; (2) synthesis technologies and devices for green methanol and green ammonia modules; (3) complete sets of devices for carbon dioxide recovery modules and polyether modules; (4) complete R&D devices and technologies for polymerization reaction-based high-performance electronic adhesives; (5) production and preparation of electrolyte raw materials for safe and long-lasting solid-state battery; (6) devices for the pilot-scale facility for the purification of electronic-grade N-Methylpyrrolidone (NMP); (7) devices for microchannel reactions; (8) platforms for intelligent 3D model generation systems; and (9) platforms for AI aggregation.

In the future, the Group will continue to deepen the internationalization and diversity of its workforce, so as to maintain its overall competitiveness and quick response capability under the restructuring and diversification of the industrial chain among different industries around the world. Internationalized human resources will also become one of the strategic tools for the Group to build a multinational and global enterprise.

## MARKET OUTLOOK IN MAJOR DOWNSTREAM INDUSTRY

### LifeSciences

#### Pharmaceutical and Biopharmaceutical

The pharmaceutical industry is intrinsically linked to human health and well-being, as its demand is long-term influenced by factors such as population size, aging rate, and disease evolution. The accelerating pace of population aging in China, coupled with the growing public health awareness, is continuously fostering and expanding the pharmaceutical and health-related consumer market, opening up broad and sustainable growth prospects for the entire pharmaceutical industry.

According to a research report published by Dagong Global Credit Rating Co., Ltd. in December 2025, pharmaceutical manufacturing enterprises are subject to stringent government regulation and supervision throughout their entire operational lifecycle—from establishment to drug research and development and production, distribution and logistics, procurement, usage and pricing—due to their critical role in national economy and public welfare. Consequently, the industry maintains relatively high administrative barriers to entry. Furthermore, the government has successively introduced multiple industrial policies and healthcare reform measures at different stages of the industry's development, which exert profound influence on the competitive landscape, profitability levels of enterprises within the industry, and even sustainability of their production and operation.

The research report indicates that the 11th batch of centralised procurement has set “stabilizing clinical application, ensuring quality, countering internally vicious competition, and preventing bid rigging” as its core principles. Through rule adjustments such as optimizing quota submission methods, raising market access and quality admission thresholds, and innovating bidding mechanisms, accuracy in regulation has been progressively enhanced. The evolution of centralised procurement policies has not only steered the industry away from pure price-based competition toward quality and innovation-driven competition but also significantly impacted the revenue and profitability models of listed companies. High-margin generic drug manufacturers and leading enterprises with advantages in scale and research and development capabilities have gained greater pricing power and profitability in the market. As centralised quantity-specific drug procurement becomes normalised and institutionalised, alongside ongoing adjustment to the National Reimbursement Drug List, reform of the drug review and approval system, and refinement in regulatory policies, pharmaceutical companies will progressively expedite their transformation and upgrading to pursue high-quality development. Innovative and capable pharmaceutical enterprises are poised to further increase their market share within the industry.

Previously, the Group faced short-term pressure on performance due to geopolitical factors and macroeconomic policies. However, the release of demands from international pharmaceutical companies and CXOs for overseas production, coupled with the implementation of U.S. reshoring policies, has expanded the market for high-end pharmaceutical equipment manufacturing, bringing the Group into a new growth cycle. Leveraging total modular solutions, the Group effectively addresses customers’ pain points of high on-site construction costs and unpredictable timelines for overseas projects. With the progressive enhancement of its global network, the Group is able to flexibly navigate various uncertainties while ensuring compliance with local regulatory requirements. This enables high-quality service delivery to global customers and the ongoing creation of investment value.

### Energy and Materials

#### Raw materials of power battery

According to an article published by the official WeChat account of Gaogong Industry Research Institute (高工產業研究院 (“GGII”)) in January 2026, 2025 marked a “Year of Explosive Growth” for China’s energy-storage lithium battery market. Characteristics such as higher-than-expected demands, price rebounds, technological iteration, and model innovation propelled the industry toward a milestone leap forward. Notable industry developments at this stage include: (1) Surge in shipments, with electric energy storage dominating market demand. GGII statistics indicate that China’s energy-storage lithium battery market experienced explosive growth in 2025, with shipments reaching 630 gigawatt-hours, representing a year-on-year increase of approximately 85%, far beyond industry expectations. Overseas, large-scale storage in the U.S. has seen high growth for two consecutive years, while installed capacity of large-scale storage and commercial/industrial energy storage in Europe has doubled. All these, coupled with the growing demand from new scenarios such as U.S. data centers, have effectively boosted domestic demand growth; (2) Diminishing market concentration brought shifts in the competitive landscape. In 2025, competition in China’s energy-storage lithium battery market was characterised by an “unwavering frontrunners, complemented by surging challengers” dynamic. The top 10 enterprises’ aggregate market share declined from approximately 95% in 2024 to approximately 90%, a slight de-concentration reflecting heightened market competitiveness; (3) Accelerated technological iteration, with 314-ampere-hour (“Ah”) cells becoming mainstream and large-capacity cell development gaining momentum. By 2025, second-generation 314Ah cells have become prevalent in the industry, while third-generation 500+Ah ultra-high-capacity cells are being intensively launched. In terms of technological reserves, both leading enterprises and emerging players have increased research and development investment in 500+Ah large-capacity cells and completed production line construction. According to GGII’s estimation, the market share of 500+Ah large-capacity cells is expected to reach 20% by 2026; (4) Beyond-expectation demand surge, persistent expansion of capacity gap, and notable increase in original equipment manufacturer (“OEM”) ratio. The concentrated surge in demand conflicts with the lag in supply-side capacity expansion, leading to persistent cell production capacity shortages throughout 2025. Some companies’ order backlogs have extended into the first half of 2026. With their own

## Management Discussion and Analysis

facilities operating at full capacity, major battery manufacturers are intensifying OEM collaborations to compensate for insufficient in-house production capacity. This model not only alleviates short-term capacity pressures but also promotes the optimised allocation of production capacity resources within the industry; (5) Industry-wide price rebound, with supply-demand dynamics dominating pricing logic. The entire energy-storage lithium battery supply chain entered a price rebound cycle in 2025. On one hand, significant increases in upstream raw material prices directly drove up cell production costs. On the other hand, insufficient cell production capacity led to a “highest bidder wins” supply-demand dynamic, where downstream enterprises proactively accepted price hikes to secure production capacity; (6) Corporate strategic transformation extending from equipment supply to the entire industrial chain. In 2025, numerous energy-storage lithium battery enterprises expanded their reach downstream in the industrial chain. A notably higher proportion of cell manufacturers invested in power stations and expanded into alternating current side business operations.

Currently, the lithium battery market presents a situation where “high-quality production capacity is in short supply while low-end capacity suffers from severe oversupply”. This phenomenon precisely mirrors the industry’s shift towards high-quality development and its supply-side restructuring. Through the replacement and elimination of low-end capacity by high-end capacity, the lithium battery industry is undergoing a transition from pursuing economy of scale to embracing quality innovation. During the Reporting Period, the Group successfully delivered core modules to a major overseas customer for its U.S. new energy project, which represents a crucial move in the customer’s expansion into the U.S. new energy market. Featuring an integrated production facility of nearly 10,000 tons supported by an intelligent management system, this project is dedicated to supplying battery manufacturers with essential advanced materials for electric vehicle batteries. Furthermore, noting that solid-state batteries may lead the next wave of market innovation, the Group has proactively diversified its technological reserves and development pathways to fully prepare for the commercialization and mass production of next-generation products.

### Green Energy

According to the Notice on Initiating Pilot Work for Green Liquid Fuel Technology R&D and Industrialization (First Batch) issued by the General Office of the National Energy Administration of China in August 2025, five of the nine pilot projects announced pertain to green methanol, with a planned production capacity of approximately 800,000 tons.

According to a research report released by Topsperity Securities Co., Ltd. in September 2025, (1) Hydrogen-based energy sources, such as green methanol, will be the most suitable marine fuels in the medium to long term: In April 2025, the 83rd session of the Marine Environment Protection Committee (MEPC) under the International Maritime Organization (“IMO”) adopted the first legally binding net-zero emissions framework for the global shipping industry. Once ratified, this framework is expected to take effect in 2027. The IMO net-zero emissions framework will center on “bunker fuels”, driving transformation across the entire industrial chain—from marine powerplant development, new vessel model research and development, modern shipbuilding, green fuel production/supply/refueling/certification, to crew training. Under the IMO net-zero emissions framework, vessels under its jurisdiction shall calculate the greenhouse gas intensity of their fuels (GFI) annually and benchmark against the framework’s specified requirements. Vessels meeting the requirements will be deemed compliant and may even qualify for financial incentives; those failing to meet the requirements must fulfill compliance obligations through payment of emission fees or alternative measures. (2) Global demand for green methanol is ramping up, with supply-demand dynamics likely to remain imbalanced in the short term: According to statistics from Clarksons, as of February 2025, there were 50 methanol-fueled vessels in operation globally, with a total deadweight of approximately 3.04 million tons; while newbuilding orders stood at 250 vessels, with a total deadweight of approximately 22.77 million tons. According to data from The Orange Group, assuming all these vessels operate solely on methanol fuel, and considering the calorific value and density ratio between methanol and conventional fuels, the current methanol-powered vessels in operation require approximately 930,000 tons of methanol fuel. Factoring in the newbuilding orders for methanol-powered vessels, the future demand for methanol fuel from the estimated 300 vessels to be launched will reach approximately 6.79 million tons. Looking further ahead, following the implementation of the IMO

net-zero emissions framework and referencing forecasts from ChineseShipping.com.cn, global shipping fuel consumption is anticipated to stabilise at approximately 260 million tons of oil equivalent by 2050, of which the proportion of green shipping fuels is estimated to reach 80%. Consequently, the future expansion potential for the green methanol market is exceptionally promising in the long run.

The scale of global green and low-carbon projects continues to expand against the backdrop of “carbon neutrality”. From planning to mass production, green methanol projects require indispensable supports from customers, technologies, and resources. Particularly, the gasification process serves as the core of process control, where technological proficiency and operational stability directly determine the feasibility and economic viability of the entire project. The Group can present intuitive data to customers via simulated economic profitability models at initiative stages, and constantly refine technical solutions through continuous communication. Moreover, leveraging mature technology reserves and extensive project delivery experience, the Group initiates development from the source, where complete equipment and modular plants serve as the foundation to ultimately transform customers’ concepts into commercially viable projects.

### Electronic Chemical

Wet electronic chemicals are indispensable key foundational materials in semiconductor manufacturing, widely used in core processes such as cleaning, etching, and photoetching. Their purity and stability directly determine chip yield and performance. Against the backdrop of ever-shrinking advanced processes, market demand for high-purity chemicals is becoming increasingly urgent.

According to a research report published by Aijian Securities Co., Ltd. in December 2025, Market Insights data from Statista indicates that the global semiconductor market amounted to USD659.1 billion in 2024 (a year-on-year increase of approximately 20.0%), and is anticipated to reach USD789.3 billion by 2025 (a year-on-year increase of approximately 19.7%). The semiconductor market is currently segmented into integrated circuits, AI chips, optoelectronic devices, discrete semiconductors, and sensors and actuators. Integrated circuits serve as the core pillar, with a 2024 market size of USD487.2 billion, accounting for approximately 73.9% of the semiconductor market. AI chips represent the fastest-growing segment, with a 2024 market size of approximately USD68.9 billion (a year-on-year increase of approximately 49.3%); other products in the global semiconductor market, excluding integrated circuits and AI chips, achieved a 2024 market size of USD103.0 billion (a year-on-year increase of approximately 9.3%). Additionally, the report indicates that China’s semiconductor market amounted to USD176.9 billion in 2024 (a year-on-year growth of approximately 15.9%), and is anticipated to reach USD206.7 billion by 2025 (a year-on-year increase of approximately 16.9%). The 2024 semiconductor market in China is primarily segmented into integrated circuits (approximately USD139.3 billion), optoelectronic devices (approximately USD13.4 billion), discrete semiconductors (approximately USD11.2 billion), sensors and actuators (approximately USD7.0 billion), and AI chips (approximately USD6.1 billion). Among these, integrated circuits represent the largest semiconductor product category, accounting for approximately 78.7% of the market share. AI chips represent the fastest-growing product category, with a year-on-year increase of 48.3%.

For quite a long time, the high-end wet electronic chemicals market has been monopolised by foreign manufacturers from the U.S., Japan, Germany, and other countries, posing “bottleneck” risks to supply chain security. Through technology introduction, collaborative research and development and independent innovation, the Group has developed semiconductor-grade electronic chemical production processes and the capability to provide core equipment and total solutions. We have delivered relevant products and services across various countries and regions, providing vital support for the establishment of a secure, resilient, and self-reliant semiconductor industry chain.

## Management Discussion and Analysis

### Data Center

According to a research report published by Aijian Securities Co., Ltd. in December 2025, as of November 2025, the U.S. operated over 4,000 data centers, ranking first globally. The UK held the second position with 499 data centers, followed by Germany and China with 487 and 381 data centers respectively. Currently, Amazon Web Services (“**AWS**”) operates the largest number of data centers in the U.S., with a total of 197 facilities in operation and a combined power capacity of 8.89 gigawatts (“**GW**”). Data centers run by operator Tract (“**Tract**”) boast the highest total power capacity in the U.S., exceeding 15GW. Major U.S. data center operators currently have over 300 facilities under construction. What’s more, AWS, Tract, and other vendors have each announced plans for 160+ facilities. It is projected that the internet capacity of newly-built data centers in the U.S. could reach 55GW over the next five years.

The research report indicates that the electricity consumption of U.S. data centers accounted for approximately 4.4% of total U.S. electricity consumption in 2023, which is projected to rise to somewhere between 6.7% and 12% by 2028. Total electricity consumption by data centers has surged from approximately 58 terawatt-hours (“**TWh**”) in 2014 to approximately 176 TWh in 2023. By 2028, this value is projected to soar further, reaching the range of 325–580 TWh. Data centers have emerged as one of the primary drivers of U.S. electricity load growth. Total electricity generation from large grid-connected facilities in the U.S. increased by merely 6% or so between 2015 and 2024, with negative growth even occurring in 2019–2020, indicating insufficient long-term growth momentum. In 2025, monthly electricity generation in the U.S. saw no significant year-on-year increase compared to 2024, indicating no meaningful improvement in the short-term supply landscape. According to forecasts from the North American Electric Reliability Council (NERC), by 2034, electricity production in most areas of the U.S. will fall below the reserve margin threshold, further exacerbating the issue of power supply gaps. In addition, power generation options such as nuclear, hydroelectric, and coal-fired facilities require lengthy construction cycles that poorly align with the timeline for data center development (the average lead time for delivering a data center in China in 2024 is approximately one year). On-site power generation represents an effective approach to meeting data center electricity demands. According to data from Bloom Energy, on-site power generation projects for data centers to be commissioned by 2030 primarily employ three technologies: gas turbines, fuel cells, and reciprocating engines. Some data centers are also beginning to adopt emerging technologies such as geothermal power generation and small modular reactors (SMRs), though these are not expected to achieve large-scale commercialization by 2030. On-site power generation is gradually evolving from its traditional role as a backup power source to a primary or significant supplementary energy source.

The global data center market is currently experiencing rapid growth, with demands for power, cooling, and network interconnectivity increasing exponentially. Air cooling can no longer meet the requirements for high-density heat dissipation, while cold-plate and immersion liquid cooling technologies are transitioning from pilot testing to large-scale deployment. Focusing on delivering highly integrated products and services characterised by high efficiency, controllability, eco-friendliness and low carbon footprint, our prefabricated modular factory solutions and microchannel technology reserves perfectly align with market demands in the AI era. We tailor solutions to meet customer needs, empowering them to maximise commercial value.

## FINANCIAL DATA REVIEW

### Revenue

The Group's revenue increased by approximately 0.1% from approximately RMB6,948,354,000 for the year ended 31 December 2024 to approximately RMB6,954,932,000 for the year ended 31 December 2025. Among these, revenues of pharmaceutical and biopharmaceutical, as well as family care industries saw significant growth, while revenues of certain other industries decreased, which was mainly due to the slowdown in the pace of expansion of downstream industries and the short-term slowdown in capital investment in mainland China.

Revenue by end application	For the year ended 31 December				Increase RMB'000	Year-on-year change
	2025		2024			
	RMB'000	Proportion	RMB'000	Proportion		
Electronic chemical	<b>257,766</b>	<b>3.7%</b>	809,215	11.6%	-551,449	-68.1%
Chemical	<b>1,284,756</b>	<b>18.5%</b>	1,683,437	24.2%	-398,681	-23.7%
Family care*	<b>655,428</b>	<b>9.4%</b>	235,067	3.4%	420,361	178.8%
Raw materials of power battery#	<b>1,049,419</b>	<b>15.1%</b>	1,218,342	17.5%	-168,923	-13.9%
Oil and gas refinery	<b>844,424</b>	<b>12.1%</b>	629,820	9.1%	214,604	34.1%
Pharmaceutical and biopharmaceutical	<b>2,228,311</b>	<b>32.0%</b>	1,586,266	22.8%	642,045	40.5%
Others	<b>634,828</b>	<b>9.2%</b>	786,207	11.3%	-151,379	-19.3%
<b>Total</b>	<b>6,954,932</b>	<b>100.0%</b>	6,948,354	100.0%	6,578	0.1%

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

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

## Management Discussion and Analysis

### Cost of Sales

The cost of sales of the Group increased by approximately 4.9% from approximately RMB4,898,577,000 for the year ended 31 December 2024 to approximately RMB5,138,349,000 for the year ended 31 December 2025. The main reason that cost growth was slightly higher than revenue growth was that, affected by the macroeconomic environment, the Group strategically adjusted the sales pricing strategy for certain orders to expand into new markets.

Cost of Sales	For the year ended 31 December				Increase RMB'000	Year-on-year change
	2025 RMB'000	Proportion	2024 RMB'000	Proportion		
Raw materials and consumables	<b>2,600,427</b>	<b>50.6%</b>	2,682,724	54.8%	-82,297	-3.1%
Direct labour costs	<b>750,653</b>	<b>14.6%</b>	615,078	12.6%	135,575	22.0%
Outsourcing fees	<b>539,584</b>	<b>10.5%</b>	619,646	12.6%	-80,062	-12.9%
Installation and repair cost	<b>744,298</b>	<b>14.5%</b>	546,036	11.1%	198,262	36.3%
Depreciation	<b>152,296</b>	<b>3.0%</b>	147,663	3.0%	4,633	3.1%
Impairment losses on assets	<b>29,936</b>	<b>0.6%</b>	11,082	0.2%	18,854	170.1%
Others (indirect labour cost + design fees)	<b>321,155</b>	<b>6.2%</b>	276,348	5.7%	44,807	16.2%
<b>Total</b>	<b>5,138,349</b>	<b>100.0%</b>	4,898,577	100.0%	239,772	4.9%

## Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 11.4% from approximately RMB2,049,777,000 for the year ended 31 December 2024 to approximately RMB1,816,583,000 for the year ended 31 December 2025. For the year ended 31 December 2025, the gross profit margin of the Group was approximately 26.1%.

Gross profit by end application	For the year ended 31 December				Increase of gross profit	Increase of gross profit margin
	2025		2024			
	RMB'000	Gross profit margin	RMB'000	Gross profit margin	RMB'000	
Electronic chemical	<b>49,535</b>	<b>19.2%</b>	180,797	22.3%	-131,262	-3.1%
Chemical	<b>289,886</b>	<b>22.6%</b>	503,635	29.9%	-213,749	-7.3%
Family care*	<b>178,131</b>	<b>27.2%</b>	59,283	25.2%	118,848	2.0%
Raw materials of power battery#	<b>328,062</b>	<b>31.3%</b>	427,011	35.0%	-98,949	-3.7%
Oil and gas refinery	<b>254,825</b>	<b>30.2%</b>	219,569	34.9%	35,256	-4.7%
Pharmaceutical and biopharmaceutical	<b>623,934</b>	<b>28.0%</b>	417,446	26.3%	206,488	1.7%
Others	<b>92,210</b>	<b>14.5%</b>	242,036	30.8%	-149,826	-16.3%
<b>Total</b>	<b>1,816,583</b>	<b>26.1%</b>	2,049,777	29.5%	-233,194	-3.4%

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

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

### Electronic Chemical

The gross profit of the electronic chemical industry of the Group decreased by approximately RMB131,262,000 from approximately RMB180,797,000 for the year ended 31 December 2024 to approximately RMB49,535,000 for the year ended 31 December 2025; the gross profit margin decreased from approximately 22.3% for the year ended 31 December 2024 to approximately 19.2% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to additional costs incurred during the process of addressing a quality issue of a certain piece of equipment.

### Chemical

The gross profit of the chemical industry of the Group decreased by approximately RMB213,749,000 from approximately RMB503,635,000 for the year ended 31 December 2024 to approximately RMB289,886,000 for the year ended 31 December 2025; the gross profit margin decreased from approximately 29.9% for the year ended 31 December 2024 to approximately 22.6% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to intense industry competition, which led to adjustments in the order-taking strategy for certain projects in order to maintain customer relationships and market share.

## Management Discussion and Analysis

### Family Care

The gross profit of the family care industry of the Group increased by approximately RMB118,848,000 from approximately RMB59,283,000 for the year ended 31 December 2024 to approximately RMB178,131,000 for the year ended 31 December 2025; the gross profit margin increased from approximately 25.2% for the year ended 31 December 2024 to approximately 27.2% for the year ended 31 December 2025. The increase in gross profit margin was mainly due to the higher margins generated by highly customized integrated solution projects.

### Raw Materials of Power Battery

The gross profit of the raw materials of power battery industry of the Group decreased by approximately RMB98,949,000 from approximately RMB427,011,000 for the year ended 31 December 2024 to approximately RMB328,062,000 for the year ended 31 December 2025; the gross profit margin decreased from approximately 35.0% for the year ended 31 December 2024 to approximately 31.3% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to the inclusion of supporting road and bridge construction work in a high-value order, which diluted the overall gross profit.

### Oil and Gas Refinery

The gross profit of the oil and gas refinery industry of the Group increased by approximately RMB35,256,000 from approximately RMB219,569,000 for the year ended 31 December 2024 to approximately RMB254,825,000 for the year ended 31 December 2025; the gross profit margin decreased from approximately 34.9% for the year ended 31 December 2024 to approximately 30.2% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to adjustments to the gross profit margin requirements for certain projects in order to further expand into specific markets.

### Pharmaceutical and Biopharmaceutical

The gross profit of the pharmaceutical and biopharmaceutical industry of the Group increased by approximately RMB206,488,000 from approximately RMB417,446,000 for the year ended 31 December 2024 to approximately RMB623,934,000 for the year ended 31 December 2025; the gross profit margin increased from approximately 26.3% for the year ended 31 December 2024 to approximately 28.0% for the year ended 31 December 2025. The increase in gross profit margin was mainly due to a project requiring high-end equipment with extremely high precision and stability, where the technical complexity enhanced the product's added value.

### 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 30.5% from approximately RMB117,406,000 for the year ended 31 December 2024 to approximately RMB153,180,000 for the year ended 31 December 2025. Such increase was mainly due to the relocation compensation received by the Group's Shanghai manufacturing base following its policy-mandated relocation.

### 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 increased by approximately 29.8% from approximately RMB164,287,000 for the year ended 31 December 2024 to approximately RMB213,212,000 for the year ended 31 December 2025. Such increase was mainly due to: 1) the expansion of the overseas marketing team, resulting in higher related compensation expenses and travel costs; and 2) increased technical support expenses for overseas projects during their initial stages. The selling and marketing expenses accounted for approximately 3.1% of total revenue for the year ended 31 December 2025 (same period in 2024: approximately 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 16.7% from approximately RMB565,118,000 for the year ended 31 December 2024 to approximately RMB659,378,000 for the year ended 31 December 2025. Such increase was mainly due to the increases in: 1) salaries and benefits, travel expenses, etc. of management and administrative staff to support overseas business development; and 2) depreciation expenses as a result of the operational commencement of the Suzhou manufacturing base and the substantial completion of the upgrade of the Malaysia manufacturing base. The general and administrative expenses as a percentage of total revenue was approximately 9.5% for the year ended 31 December 2025 (same period in 2024: approximately 8.1%).

### Impairment Loss on Trade Receivables and Contract Assets

Impairment loss on trade receivables and contract assets of the Group decreased by approximately 55.3% from approximately RMB116,344,000 for the year ended 31 December 2024 to approximately RMB51,961,000 for the year ended 31 December 2025. Such decrease was mainly attributable to the Group's strengthened risk management and control as well as the implementation of a strict early warning mechanism for trade receivables, which reduced the need for full impairment provisions on high-risk trade receivables.

### Research and Development Expenses

The Group's research and development expenses decreased by approximately 22.3% from approximately RMB399,241,000 for the year ended 31 December 2024 to approximately RMB310,386,000 for the year ended 31 December 2025, which was mainly attributable to the adjustment of the priority of R&D projects to align with the Group's operating strategy. The research and development expenses as a percentage of total revenue was approximately 4.5% for the year ended 31 December 2025 (same period in 2024: approximately 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 increased by approximately 57.5% from approximately RMB10,448,000 for the year ended 31 December 2024 to approximately RMB16,458,000 for the year ended 31 December 2025. Such increase was mainly due to the new bank borrowings arising from the Group's merger and acquisition activities.

## Management Discussion and Analysis

### Income Tax Expenses

The Group's income tax expenses decreased by approximately 26.8% from approximately RMB181,373,000 for the year ended 31 December 2024 to approximately RMB132,754,000 for the year ended 31 December 2025. The Group derived its profit mainly from the subsidiaries located in China that are recognized as high-tech enterprises, which enjoy a preferential enterprise income tax rate of 15%. For the year ended 31 December 2025, the Group's effective income tax rate was approximately 18.5%, representing a decrease of approximately 1.4% from approximately 19.9% for the year ended 31 December 2024, which was mainly attributable to: 1) a decrease in provision for the withholding income tax expenses as dividends expected to be received by the Company from its PRC subsidiaries decreased compared to the same period in 2024; and 2) a decrease in non-deductible expenses and additional tax payments arising from the annual tax settlement for certain PRC subsidiaries.

### Net Profit and Net Profit Margin

Based on the above factors, the Group recorded a net profit of approximately RMB584,292,000 for the year ended 31 December 2025, representing a decrease of approximately 19.9% from approximately RMB729,881,000 for the year ended 31 December 2024. The Group's net profit margin was approximately 8.4% for the year ended 31 December 2025, representing a decrease of approximately 2.1% from approximately 10.5% for the year ended 31 December 2024.

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

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

### EBITDA

For the year ended 31 December 2025, the Group recorded an EBITDA of approximately RMB971,206,000, representing a decrease of approximately 13.0% from approximately RMB1,116,488,000 for the year ended 31 December 2024.

	For the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Net profit	<b>584,292</b>	729,881
Add: Income tax expenses	<b>132,754</b>	181,373
Interest expenses	<b>16,458</b>	10,448
Depreciation	<b>212,588</b>	173,485
Amortization	<b>25,114</b>	21,301
EBITDA	<b>971,206</b>	1,116,488

### Property, Plant and Equipment

The property, plant and equipment of the Group increased by approximately 4.6% from approximately RMB2,398,082,000 as at 31 December 2024 to approximately RMB2,507,834,000 as at 31 December 2025, mainly due to the increase of the Group's investment in the Malaysia manufacturing base.

### Contract Assets

The Group's contract assets increased by approximately 72.4% from approximately RMB938,869,000 as at 31 December 2024 to approximately RMB1,618,414,000 as at 31 December 2025, which was mainly attributable to the fact that the proportion of revenue for which the control is transferred over a period of time increased, and that certain ongoing high-value orders had recognized partial revenue but had not yet reached the agreed milestone for payment collection.

### Inventories

The Group's inventories decreased by approximately 8.4% from approximately RMB797,243,000 as at 31 December 2024 to approximately RMB730,415,000 as at 31 December 2025, mainly due to the reduction in work in progress following the completion of delivery of certain high-value orders for which the control was transferred at the point in time during the Reporting Period.

### Trade and Other Payables

The Group's trade and other payables increased by approximately 26.0% from approximately RMB1,646,583,000 as at 31 December 2024 to approximately RMB2,074,713,000 as at 31 December 2025, mainly due to: 1) increased trade payables resulted from adjustments to the prepayment ratios for certain suppliers, coupled with substantial payments to suppliers nearing but had not yet reached the agreed milestone for payment; and 2) increased salary and bonus payments to employees.

### Contract Liabilities

The contract liabilities of the Group decreased by approximately 17.3% from approximately RMB1,476,247,000 as at 31 December 2024 to approximately RMB1,221,152,000 as at 31 December 2025, mainly due to the recognition of revenue from certain high-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 increased by approximately 54.8% from approximately RMB214,185,000 as at 31 December 2024 to approximately RMB331,577,000 as at 31 December 2025, mainly due to the Group's financing for overseas merger and acquisition activities.

As at 31 December 2025, the interest rates of the borrowings of the Group ranged from 1.69% to 2.95%, and all of the borrowings will be due within 1 year. Among these, approximately RMB321,571,000 were fixed-rate borrowings and approximately RMB10,006,000 were variable-rate borrowings. Borrowings denominated in RMB amounted to approximately RMB70,690,000, while those denominated in Swiss francs amounted to approximately RMB260,887,000.

Gearing ratio is calculated using interest-bearing borrowings divided by total equity. The gearing ratio of the Group increased from approximately 4.1% as at 31 December 2024 to approximately 5.7% as at 31 December 2025, mainly due to the increase in the balance of the borrowings of the Group.

## Management Discussion and Analysis

### Liquidity and Capital Resources

The balance of cash and cash equivalents of the Group was approximately RMB3,132,067,000 as at 31 December 2025, which was mainly denominated in RMB, USD, HKD, SGD, JPY and EUR, representing an increase of approximately RMB536,619,000 as compared with approximately RMB2,595,448,000 as at 31 December 2024. Besides, the Group had restricted bank deposits of approximately RMB1,643,000 pledged for issuing bank bills of exchange. The Group purchased short-term financial products issued by banks with idle funds under the premise of ensuring liquidity, and entered into a series of forward foreign exchange contracts, of which the outstanding amount as at 31 December 2025 was approximately RMB152,200,000.

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

The Group's management continuously monitors trade receivables balances and any overdue balances closely, supervises the timely collection of receivables, and makes adequate impairment loss allowance for irrecoverable amounts when deemed necessary. To control liquidity risk, the Group's sales department prepares accounts receivable collection forecasts in accordance with internal procedures and provides regular feedback to the finance department on actual collection performance. Meanwhile, the Group maintains the capital flexibility with bank credit facilities and interest-bearing borrowings, and regularly monitors current and expected liquidity requirements to ensure that sufficient financial resources are maintained to meet liquidity needs.

As at 31 December 2025, the Group's total banking facilities amounted to RMB2,555,000,000, US\$297,000,000, SEK300,000,000, CHF42,000,000 and JPY26,700,000,000 (equivalent to approximately RMB6,438,885,000 in aggregate), of which the utilized banking facilities amounted to approximately RMB709,609,000, US\$119,978,000, EUR31,442,000, SGD7,798,000, MYR1,837,000, MXN56,048,000, CHF33,139,000 and JPY82,000,000 (equivalent to approximately RMB2,176,438,000 in aggregate), and the unutilized banking facilities amounted to approximately RMB4,262,447,000.

### Charges on Assets

As at 31 December 2025, the Group did not have any assets or rights pledged.

### Contingent Liabilities and Guarantees

As at 31 December 2025, 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) or sell treasury shares for cash.

## Management Discussion and Analysis

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 the 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 utilized 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 2024 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 2025 RMB'000
Construction of Changshu Manufacturing Base	327,335	283,603	50.0%	—	—	—
Construction of Malaysia Manufacturing Base	261,868	226,883	40.0%	—	—	—
Expansion of European Market	32,733	28,360	5.0%	21,096	21,096	—
General working capital	32,733	28,360	5.0%	—	—	—
<b>Subtotal</b>	<b>654,669</b>	<b>567,206</b>	<b>100.0%</b>	<b>21,096</b>	<b>21,096</b>	<b>—</b>

## Management Discussion and Analysis

As at the date of this report, all Net Proceeds from the Subscription have been fully utilized.

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 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 2024 RMB'000	Net Proceeds utilized during the Reporting Period RMB'000	Unused Net Proceeds as at 31 December 2025 RMB'000
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%	2,548	2,548	—
Investment in underlying research and development from 2021 to 2023	32,974	27,448	4.8%	—	—	—
General working capital	68,587	57,091	10.0%	—	—	—
<b>Subtotal</b>	<b>686,690</b>	<b>571,596</b>	<b>100.0%</b>	<b>2,548</b>	<b>2,548</b>	<b>—</b>

As at the date of this report, all Net Proceeds have been fully utilized.

### Significant Investments, Acquisitions and Disposals

In January 2025, Morimatsu Singapore, a subsidiary of the Company, established a new wholly-owned subsidiary, Morimatsu Engineering & Technology (Malaysia) Sdn. Bhd. ("MET Malaysia"). Following completion of the capital injection in June 2025, the share capital of MET Malaysia is MYR3,000,000. MET Malaysia serves as one of the technology hubs and engineering services centers for the Group's energy materials segment in Southeast Asia and 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 Morimatsu Biotechnology directly 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.

In April 2025, Lifesciences Singapore and Pharmadule Singapore, subsidiaries of the Company, entered into equity transfer agreements with two third parties, pursuant to which, Lifesciences Singapore agreed to acquire 80% equity interest in Morimatsu Thailand, and Pharmadule Singapore agreed to acquire 20% equity interest in Morimatsu Thailand. Upon completion of the equity transfer, the Company indirectly holds 100% equity interest in Morimatsu Thailand.

In June 2025, Morimatsu Heavy Industry, a subsidiary of the Company, jointly established a new non-wholly-owned subsidiary, Ei-Mori Fluid, with an independent third party. The registered capital of Ei-Mori Fluid is RMB10,000,000, in which Morimatsu Heavy Industry directly holds a 51% equity interest. Ei-Mori Fluid is primarily engaged in the R&D, manufacturing and sales of valves, as well as the installation and commissioning of valve accessories, and related after-sales maintenance services.

In July 2025, the Company, Morimatsu China, Morimatsu Pharmaceutical, being subsidiaries of the Company, and four independent third parties (the "**Investors**") entered into transaction documents, pursuant to which the Investors agreed to subscribe for the additional registered capital of Morimatsu Pharmaceutical of RMB12,946,412 at a consideration of RMB330,000,000 (the "**Investment Subscription**"). Upon completion of the Investment Subscription, the registered capital of Morimatsu Pharmaceutical will be increased from RMB86,309,407 to RMB99,255,819 and the Company will directly and indirectly hold approximately 73.99% of shareholding in Morimatsu Pharmaceutical. Please refer to the Company's announcements dated 7 July 2025 and 14 July 2025 for further details of the Investment Subscription.

In August 2025, Morimatsu Singapore, a subsidiary of the Company, established a new wholly-owned subsidiary, Morimatsu Engineering & Technology (Italy) S.r.l. ("**MET Italy**"). The registered capital of MET Italy is EUR4,500. Leveraging its geographical advantage in the core region of Europe, MET Italy will further enhance communication and collaboration between the Group and European customers, suppliers, and strategic partners by establishing a professional service team, thereby empowering the global business development of the Group.

In August 2025, Morimatsu Heavy Industry, a subsidiary of the Company, established a new wholly-owned subsidiary, Morimatsu Technology and Trade. The registered capital of Morimatsu Technology and Trade is RMB10,000,000, in which the Company indirectly holds a 100% equity interest. Morimatsu Technology and Trade is primarily engaged in the import and export of machinery and equipment, special equipment, specialized production equipment and spare parts for the oil refining/chemical/new energy industries, metal materials, and structural components, as well as the provision of related supporting technical services.

## Management Discussion and Analysis

In September 2025, MII, a subsidiary of the Company, entered into equity transfer agreements with two independent third parties, pursuant to which, MII agreed to acquire 100% equity interest in Bioengineering AG and its subsidiaries. Upon completion of the equity transfer, the Company indirectly holds 100% equity interest in Bioengineering AG and its subsidiaries.

In October 2025, Morimatsu Hi-Purity, a subsidiary of the Company, jointly established a new non-wholly-owned subsidiary, Shanghai Morimatsu Fluorotech Innovation Co., Ltd. (上海森松氟創科技有限公司) (“**MFT**”), with an independent third party. The registered capital of MFT is RMB2,000,000, in which Morimatsu Hi-Purity directly holds a 75% equity interest. MFT is primarily engaged in the manufacturing and sales of linings for metal storage tanks and metal piping, as well as the processing and sales of polytetrafluoroethylene (PTFE) gaskets.

In November 2025, MET Malaysia and Morimatsu T&S, subsidiaries of the Company, established a new wholly-owned subsidiary, MET India. The share capital of MET India is INR100,000. MET India serves as a vital technical service hub and market development center for the Group’s energy materials segment in India. Leveraging its geographical advantages and utilizing local talent and language strengths, it collaborates with the Group’s other operational bases for coordinated development. By expanding its presence in the Indian market, the Group further strengthens its expansion into European and American markets.

Save as disclosed above, the Group did not hold any other significant investments, nor did it have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period, and the Group did not have any explicit future plans for significant investments or capital assets acquisitions as at 31 December 2025.

### Important Events after the Reporting Period

In January 2026, upon the approval of board of directors of Morimatsu Pharmaceutical, a subsidiary of the Company, the cash dividends of RMB120,000,000 was declared to its shareholders but had not been recognised as a liability at the end of the Reporting Period in accordance with Hong Kong Accounting Standards 10.

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 Hirota

### Non-executive Directors

Mr. Matsuhisa Terumoto (*Chairman*)

### Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly  
Mr. Kuraishi Hideaki (With effect from March 23, 2026)  
Mr. Yu Jianguo  
Mr. Kanno Shinichiro (Ceased on 24 December 2025)

## Directors' Report

### 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. Lv Binfeng  
Mr. Yang Xiaodong  
Mr. Ma Yong  
Ms. Yuan Hong  
Mr. He Wenxing  
Mr. Chen Hongwei  
Mr. Liu Xingguo  
Mr. Liang Liang  
Mr. Jiang Pei  
Mr. Gu Zhenghui  
Ms. Zhang Haifang  
Mr. Lu Yi  
Mr. Li Daoquan  
Mr. Chen Zhangwu  
Mr. Yang Mingzhi  
Ms. Xia Wei  
Mr. Lee Kenneth Hoi Nap  
Mr. Du Mingdi  
Mr. Jin Qiaorong  
Mr. Yuan Zhengchao  
Ms. Lan Lei  
Mr. Gausmohammad Mohmmadaslam Khan  
Mr. Hans Wallebring  
Mr. Jens Lindgren  
Mr. Chan Yew Kai  
Ms. Yap Chooi Poh  
Ms. Tan Ruping  
Ms. Nur Izzati Binti Norman  
Mr. Tsou Ka Chin  
Mr. Bernhardt Marcus  
Mr. Isenschmid Thomas  
Mr. Alexander Fross

### 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 the sections headed "Related Party Transactions" and "Connected Transactions" and note 34 to the consolidated financial statements 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.

## ENTERING INTO MATERIAL CONTRACTS WITH THE CONTROLLING SHAREHOLDERS

During or at the end of the Reporting Period, save as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions" and note 34 to the consolidated financial statements in this annual report, the Group has not entered into any material contract with its Controlling Shareholders or any of its subsidiaries, nor has it entered into any material contract for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Group.

## 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 March 2025, Mr. Hirazawa Jungo, an executive Director, has served as the director of Pharmadule US. Since April 2025, he has served as the director of Pharmadule Sweden and Morimatsu Italy. Since August 2025, he has served as the director of Morimatsu Thailand. Since September 2025, he has served as the director of Bioengineering AG. Since November 2025, he has served as the director of MET India.

## Directors' Report

Since April 2025, Mr. Tang Weihua, an executive Director, has served as an expert of the Standardization Technical Committee of the Shanghai Producer Services Promotion Association (上海生產性服務業促進會). Since August 2025, he has served as the director of Morimatsu Thailand.

Since April 2025, Mr. Yu Jianguo, an independent non-executive Director, has ceased to act as a non-executive director of Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司) (stock code: 1772), whose shares are listed on the Stock Exchange.

Since May 2025, Ms. Chan Yuen Sau Kelly, an independent non-executive Director, has been appointed as a member of the Nomination Committee and has ceased to be a member of the Remuneration Committee. Since July 2025, she has ceased to act as the chairperson of the Employees' Compensation Insurance Levies Management Board of Hong Kong. Since August 2025, she has ceased to act as a member of the board of the Air Transport Licensing Authority of Hong Kong.

Since May 2025, Mr. Kanno Shinichiro, an independent non-executive Director, has been appointed as a member of the Remuneration Committee and has ceased to be a member of the Nomination Committee. Since June 2025, he has ceased to hold the position of supervisor of Toyodenso Co., Ltd. (東洋電裝株式會社, a non-listed company). On 24 December 2025, due to the passing of Mr. Kanno, he has ceased to act as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee.

Since June 2025, Mr. Sheng Ye, an executive Director, has served as the chairman of Ei-Mori Fluid. Since July 2025, he has served as the director of Morimatsu Dialog. Since August 2025, he has served as the chairman of Morimatsu Technology and Trade. In October 2025, he obtained the senior principal engineer certificate issued by Shanghai Municipal Human Resources and Social Security Bureau.

Since March 23, 2026, Kuraishi Hideaki was appointed as an independent non-executive Director of the Company, a member of the Audit Committee and a member of the Remuneration Committee.

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;

## Directors' Report

- (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 and 8 to the consolidated financial statements in this annual report, and details of the number of underlying Shares held by the executive Directors and non-executive Directors under the Pre-IPO Share Option Scheme are set out in the section headed "Pre-IPO Share Option Scheme" of this annual report. The independent non-executive Directors did not hold any Shares under any equity incentive scheme. The aggregate number of underlying Shares held by the five highest paid individuals of the Group under the Pre-IPO Share Option Scheme was 37,340,000 Shares.

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

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

As at 31 December 2025, 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 2025 <sup>2</sup>
Morimatsu Holdings	Beneficial owner	750,000,000 (L) <sup>1</sup>	60.22
Morimatsu Group <sup>3</sup>	Interest in a controlled corporation	750,000,000 (L)	60.22
Mr. Matsuhisa Terumoto <sup>4</sup>	Interest in a controlled corporation	750,000,000 (L)	60.22
	Beneficial owner	16,810,000 (L)	1.35

Notes:

- The letter ("L") denotes the person's long position in the Shares.
- The percentage is calculated based on the total number of 1,245,419,000 issued Shares of the Company as at 31 December 2025.
- 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.
- 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 of the Company, as at 31 December 2025, 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.

## Directors' Report

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

As at 31 December 2025, the interests or short positions of the directors, supervisors and 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 2025 <sup>2</sup>
Matsuhisa Terumoto	Beneficial owner <sup>1</sup>	16,810,000	1.35
Nishimatsu Koei	Beneficial owner <sup>1</sup>	5,152,000	0.41
	Beneficial owner	2,025,000	0.16
Kawashima Hirotaka	Beneficial owner <sup>1</sup>	2,767,000	0.22
	Beneficial owner	300,000	0.02
Hirazawa Jungo	Beneficial owner <sup>1</sup>	2,720,000	0.22
Tang Weihua	Beneficial owner	4,113,322	0.33
Sheng Ye	Beneficial owner	3,700,040	0.30

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 1,245,419,000 Shares in issue as at 31 December 2025.

As at 31 December 2025, save as disclosed above, none of the Directors, supervisors and 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.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had a total of over 4,800 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 10.63% of the issued Shares as of the date of this 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.

## Directors' Report

### (4) Grant of the share options

As at 31 December 2025, 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 10.63% of issued shares (excluding treasury shares) of the Company as at 31 December 2025. 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 30 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 2025	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 2025
<b>Directors</b>						
Matsuhisa Terumoto <sup>^</sup>	16,810,000	16,810,000	—	—	—	16,810,000
Nishimatsu Koei	11,315,000	7,415,000	—	—	—	7,415,000
Kawashima Hiroataka	3,960,000	3,960,000	401,000	0.0001	—	3,559,000
Hirazawa Jungo	3,400,000	3,400,000	—	—	—	3,400,000
Tang Weihua	7,920,000	4,753,000	3,169,000	0.0001	—	1,584,000
Sheng Ye	7,920,000	5,543,309	3,959,309	0.0001	—	1,584,000
Subtotal	51,325,000	41,881,309	7,529,309	—	—	34,352,000
<b>Employees</b>						
Matsuhisa Hideo <sup>*</sup>	4,200,000	4,199,000	3,359,000	0.0001	—	840,000
Other 20 employees <sup>#</sup>	76,855,000	49,693,931	19,084,121	0.0001	—	30,609,810
Total	132,380,000	95,774,240	29,972,430	—	—	65,801,810

<sup>^</sup> Who is also a substantial shareholder of the Company.

<sup>\*</sup> Employees who are associates of the directors of the Company or its subsidiaries.

<sup>#</sup> Employees who are not the directors of the Company or its subsidiaries 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 25,910,000 Shares, representing approximately 2.08% of the issued shares of the Company as at 31 December 2025. For share options exercised during the Reporting Period, the weighted average closing price on the date immediately prior to the exercise was approximately HK\$6.74.

No further options has been granted under the Pre-IPO Share Option Scheme during the period from the Listing Date to 31 December 2025. 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 (excluding treasury shares) is nil.

As at the date of this annual report, the remaining life of the Pre-IPO Share Option Scheme is approximately five (5) 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 8.03% 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 2025, 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 weighted average closing price immediately preceding the exercise date was HK\$0, and the number of shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme (excluding treasury shares) 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 five (5) 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 2.41% 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 2025, 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 2.37% of the issued shares of the Company as at 31 December 2025. 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.

## Directors' Report

### 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 30 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 2025	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 2025
149 employees	29,459,700	9,269,100	9,269,100	4.17	0	0

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\$4.54. As of 31 December 2025, the number of Shares issued by the Company under the RSU Scheme was 27,945,000 Shares, representing approximately 2.24% of the issued shares of the Company as at 31 December 2025.

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 (excluding treasury shares) is nil.

As at the date of this annual report, the remaining life of the RSU Scheme is approximately one (1) 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 34 to the consolidated financial statements in this annual report.

Save as the lease payments set out below, which constitute a connected transaction, and the other 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.

## 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 the Group intends to continue the leasing arrangements for the subsequent period of the Target Term after the First Year, it 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.

As the property under the Property Leasing Framework Agreement was returned by Morimatsu Chemical to the Chinese government for demolition in May 2025, the Property Leasing Framework Agreement has ceased to exist.

## Directors' Report

The annual cap of such continuing connected transactions for 2025 was RMB63,000,000. The actual rent (water, electricity, gas and tax inclusive) for 2025 was approximately RMB1,377,000. 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/water, electricity, gas and tax inclusive)
Morimatsu China	1 January 2025	4 months	828.32	476,714.72
Morimatsu Heavy Industry	1 January 2025	4 months	31,774.76	8,021,032.84
Office buildings			6,133.51	
Production workshops			25,641.25	
Morimatsu Pharmaceutical	1 January 2025	4 months	24,148.11	5,269,997.82
Office buildings			5,110.15	
Production workshops			19,037.96	
Subtotal			56,751.19	13,767,745.38

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.

## Partially-exempt One-off Connected Transaction

### Lease of Shanghai office premises 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 connected transactions of the Company.

Morimatsu Heavy Industry, a subsidiary of the Company, leased the Shanghai office premises, situated at Building 3, No. 1260 Qianhui Road, Zhuqiao Town, Pudong New Area, Shanghai, PRC from Morimatsu Chemical for office premises. Morimatsu Heavy Industry and Morimatsu Chemical entered into a property lease agreement (the "**Property Lease Agreement**") on 12 December 2025. For further details of the Property Lease Agreement, please refer to the announcement of the Company dated 12 December 2025.

The term of the Property Lease Agreement lasts from 1 January 2026 to 30 November 2027 (the "**Lease Term**"). If Morimatsu Heavy Industry intends to continue the leasing arrangements for the subsequent period of the Lease Term, it shall notify Morimatsu Chemical in writing at least one month prior to the expiration of the aforementioned Lease Term, and re-negotiate with Morimatsu Chemical to enter into a supplement or a new lease agreement, subject to the requirements of the Listing Rules.

Pursuant to the Property Lease Agreement, Morimatsu Heavy Industry shall pay a total monthly rent of RMB870,197.72 (including water, electricity, property management fees, etc.), which is determined after arm's length negotiations between parties after taking into consideration the prevailing market rental for comparable premises in a similar location.

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's sales to its top five largest customers accounted for approximately 36.0% of the Group's total revenue, of which sales to the largest customer accounted for approximately 14.3% of the Group's total sales.

During the Reporting Period, the Group's purchases from its top five largest suppliers accounted for approximately 12.4% of the Group's total purchases, of which purchases from the largest supplier accounted for approximately 4.4% 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 Board, own more than 5% of the number of issued shares (excluding treasury 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 political policy 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, Iraq and Russia. During the Reporting Period, the Group's revenue from products sold and/or delivered to countries/regions subject to International Sanctions amounted to approximately RMB1 million (2024: approximately RMB181 million), representing approximately 0.02% of the Group's total revenue (2024: approximately 2.61%).

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 2025, 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 oversee 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 HKD0.2 per Share for the year ended 31 December 2025. Subject to (i) the approval by the Shareholders at the forthcoming Annual General Meeting to be held on Thursday, 25 June 2026, 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 Monday, 27 July 2026, to those Shareholders whose names appeared on the Register of Members on Tuesday, 14 July 2026.

## Directors' Report

### **AGM AND CLOSURE OF REGISTER OF MEMBERS**

The AGM of the Company will be held on Thursday, 25 June 2026. 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, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which period no transfer of Shares will be registered. The record date shall be Thursday, 25 June 2026 and 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 Thursday, 18 June 2026.

For determining the Shareholder's entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 13 July 2026 to Tuesday, 14 July 2026, both days inclusive, during which period no transfer of Shares will be registered. The record date shall be Tuesday, 14 July 2026 and 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 Friday, 10 July 2026.

### **SHARE CAPITAL**

During the Reporting Period, details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements in this annual report.

### **REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, the Group did not repurchase, sell or redeem of any listed securities of the Company (including treasury Shares).

### **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 31 to the consolidated financial statements in this annual report.

As at 31 December 2025, details of the Company's reserves available for distribution to the Shareholders are set out in note 31 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 total issued Shares (excluding treasury 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 24 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 RMB1,842,000.

## **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.

## Directors' Report

### **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, 23 March 2026

# Corporate Governance Report

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 with the exception of certain deviations as further explained below. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

As disclosed in the announcement of the Company dated 29 December 2025, the passing away of Mr. Kanno Shinichiro, an independent non-executive Director, on 24 December 2025 has resulted in the Company's non-compliance with the requirements of the Listing Rules, namely (i) the minimum number of independent non-executive Directors as required under Rule 3.10(1) of the Listing Rules; (ii) the number of independent non-executive Directors representing at least one-third of the Board as required under Rule 3.10A of the Listing Rules; (iii) the minimum number of members and the composition requirements in the Audit Committee as required under Rule 3.21 of the Listing Rules and the terms of reference of the Audit Committee; and (iv) the composition requirements in the Remuneration Committee as required under Rule 3.25 of the Listing Rules and the terms of reference of the Remuneration Committee.

Following the appointment of Mr. Kuraishi Hideaki as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee on 23 March 2026, the Company has re-complied with the aforementioned requirements of the Listing Rules.

## 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*) (Appointed on 26 June 2025)  
Mr. Hirazawa Jungo (*Chief Financial Officer*) (Appointed on 11 February 2024)  
Mr. Tang Weihua (Appointed on 26 June 2025)  
Mr. Sheng Ye (Appointed on 26 June 2025)  
Mr. Kawashima Hirotaka (Appointed on 11 February 2024)

## Corporate Governance Report

### Non-executive Director

Mr. Matsuhisa Terumoto (*Chairman*) (Appointed on 28 June 2024)

### Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly (Appointed on 28 June 2024)

Mr. Kanno Shinichiro (Ceased on 24 December 2025)

Mr. Yu Jianguo (Appointed on 28 June 2024)

Mr. Kuraishi Hideaki (Appointed on 23 March 2026)

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 and meeting of Board committees, the draft and final version of the meeting minutes will be sent to the 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. All Directors have full access to the Group’s information and the advice and assistance of the company secretary, are free to propose adding appropriate matters to the agenda of Board meetings, and have the right to seek independent professional advice when deemed necessary to discharge their duties 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 five 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 26 June 2025, the Company held the AGM. During the Reporting Period, the attendance record of the Directors is as follows:

Name of Director	Board Meetings	Number of attendances and attendance rate			AGM
		Meetings of Audit Committee	Meetings of Remuneration Committee	Meetings of Nomination Committee	
Mr. Nishimatsu Koei	5/5	N/A	N/A	N/A	1/1
Mr. Hirazawa Jungo	5/5	N/A	N/A	N/A	1/1
Mr. Tang Weihua	5/5	N/A	N/A	N/A	1/1
Mr. Sheng Ye	5/5	N/A	N/A	N/A	1/1
Mr. Kawashima Hirotaka	5/5	N/A	N/A	N/A	1/1
Mr. Matsuhisa Terumoto	5/5	3/3	1/1	2/2	1/1
Ms. Chan Yuen Sau Kelly	5/5	3/3	1/1	N/A	1/1
Mr. Kanno Shinichiro	5/5	3/3	N/A	2/2	1/1
Mr. Yu Jianguo	5/5	N/A	1/1	2/2	1/1
Mr. Kuraishi Hideaki (Appointed on 23 March 2026)	N/A	N/A	N/A	N/A	N/A

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 in a timely manner. 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.

## Corporate Governance Report

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. The Board has delegated authority for the day-to-day management and operation of the Group to the management, which comprises executive Directors and the management team. The management is primarily responsible for implementing the strategies and business plans developed by the Board, and managing the Group's business operations in accordance with the Board's policies and directives. 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. Their respective duties are clearly defined and outlined in writing.

The chairman of the Board is responsible for guiding and directing the work of the Board, overseeing the overall strategic planning of the Group and ensuring that the Board acts in a manner consistent with the best interests of the Group. The chairman of the Board has delegated to the Company Secretary the responsibility for ensuring that Board meetings are effectively planned and conducted, including setting the agenda for each Board meeting, with due consideration given to matters proposed for inclusion in the agenda by Directors and the Company Secretary. With the assistance of other executive Directors and the Company Secretary, the chairman will ensure that all Directors are properly briefed on matters to be discussed at Board meetings and are provided with sufficient and accurate information in a timely manner.

The chairman of the Board promotes an open culture and actively encourages Directors to express their views and participate fully in Board affairs, thereby contributing to the effective operation of the Board. Under the leadership of the chairman of the Board, the Board has adopted sound corporate governance practices and procedures, and has implemented appropriate measures to facilitate effective communication and ongoing engagement with Shareholders and other stakeholders, as outlined in the section headed "Investor Relations and Shareholders' Engagement" below in this report.

The chief executive officer is responsible for overseeing the daily management and operations of the Group, while maintaining ongoing communication with all Directors to ensure they are fully informed of all significant business developments and matters.

### **JOINT COMPANY SECRETARIES**

The Company Secretary reports to the chairman of the Board and the chief executive officer. All Directors have access to the Company Secretary's advice and services to ensure compliance with Board procedures and all applicable laws, rules, and regulations. The selection, appointment, or dismissal of the Company Secretary is subject to Board approval.

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 is familiar with the daily operations of the Group. 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.

### **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 2025, the non-executive Directors have served more than four years.

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. 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. All the retiring Directors shall be eligible for re-election. Accordingly, Mr. Matsuhisa Terumoto, Mr. Hirazawa Jungo and Mr. Kawashima Hirotaka will retire by rotation at the 2026 AGM and, being eligible, offer themselves for re-election as Directors at the AGM.

In addition, pursuant to the Articles of Association, any person appointed as a Director by the Board shall hold office only until the first annual general meeting after his appointment and shall then be eligible for re-election at such meeting. Accordingly, the term of office of Mr. Kuraishi Hideaki, being an independent non-executive Director so appointed on 23 March 2026 shall expire at the 2026 AGM and he shall be eligible for re-election at the 2026 AGM.

Mr. Kuraishi Hideaki, an independent non-executive Director appointed on 23 March 2026, obtained the legal opinion referred to in Rule 3.09D of the Listing Rules on 23 March 2026, and has confirmed his understanding of his responsibilities as a director of a listed issuer.

### **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 and comply with the requirements of the Listing Rules. 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.

## Corporate Governance Report

### 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. Kuraishi Hideaki (Mr. Kuraishi Hideaki was appointed on 23 March 2026, succeeding Mr. Kanno Shinichiro, who passed away and ceased to be a member on 24 December 2025), 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 2024 annual results announcement and report and 2025 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	Number of attendances and attendance rate
Mr. Matsuhisa Terumoto	3/3
Ms. Chan Yuen Sau Kelly	3/3
Mr. Kanno Shinichiro	3/3
Mr. Kuraishi Hideaki (Appointed on 23 March 2026)	N/A

### 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.

Before 29 May 2025 (inclusive), the Remuneration Committee comprised 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. After 29 May 2025, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Yu Jianguo and Mr. Kuraishi Hideaki (Mr. Kuraishi Hideaki was appointed on 23 March 2026, succeeding Mr. Kanno Shinichiro, who passed away and ceased to be a member on 24 December 2025) 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, 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	Number of attendances and attendance rate
Mr. Matsuhisa Terumoto	1/1
Ms. Chan Yuen Sau Kelly	1/1
Mr. Yu Jianguo	1/1
Mr. Kanno Shinichiro	N/A
Mr. Kuraishi Hideaki (Appointed on 23 March 2026)	N/A

## 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:

- 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
<b>Fixed compensation</b>	
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.)
<b>Variable compensation</b>	
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

- Remuneration packages shall be set at levels that ensure comparability and competitiveness with similar companies. Independent professional advice is to be sought where appropriate.
- Remuneration and employment conditions of other employees in the Group shall be taken into account.
- The remuneration policy for executive Directors and senior management shall be reviewed regularly.

## Corporate Governance Report

### 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'000)	Number of people
Nishimatsu Koei	20,500–21,000	1
Hirazawa Jungo	1,500–2,000	1

### NOMINATION COMMITTEE

The primary duties of the Nomination Committee are to review the structure/size/composition/diversity/independence of the Board, make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management, review Directors' skills/experience/time commitment/contributions/continuing professional development, assist the Board in compiling a Board competency matrix; and assist the Board in conducting regular assessments of Board performance.

Before 29 May 2025 (inclusive), the Nomination Committee comprised two independent non-executive Directors, namely Mr. Kanno Shinichiro and Mr. Yu Jianguo, and one non-executive Director, namely Mr. Matsuhisa Terumoto. Mr. Matsuhisa Terumoto is the chairman of the Nomination Committee. After 29 May 2025, the Nomination Committee comprises two independent non-executive Directors, namely Ms. Chan Yuen Sau Kelly and Mr. Yu Jianguo and one non-executive Director, namely Mr. Matsuhisa Terumoto. Mr. Matsuhisa Terumoto is the chairman of the Nomination Committee.

The Nomination Committee held two meetings 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 retirement by rotation of Directors and their re-election.

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

Name of members of the Nomination Committee	Number of attendances and attendance rate
Mr. Matsuhisa Terumoto	2/2
Mr. Kanno Shinichiro	2/2
Mr. Yu Jianguo	2/2
Ms. Chan Yuen Sau Kelly	N/A

The Nomination Committee has conducted an annual review and assessment of each Director's time commitment and contribution to the Board to ensure that each Director can effectively fulfill his/her duties through assessing each Director's participation in Board and Board committee meetings, current directorships in external companies, other significant external time commitments, and participation in continuing professional development training, and confirmed that each Director has effectively fulfilled his/her duties and made effective contributions to the Board.

### CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors are aware of their responsibilities to Shareholders and diligently perform their duties for the development of the Group. Each newly appointed Director (if any) will receive a formal and comprehensive induction upon their initial appointment, and may subsequently receive necessary induction and professional development to ensure they have an appropriate understanding of the Group's business, operations, and governance policies, and are fully aware of their responsibilities as Directors under the Listing Rules and relevant laws and regulations.

All Directors are provided with regular updates on the Company's performance, financial position, and prospects to facilitate the Board as a whole and individual Directors in performing their duties. In addition, all Directors are provided with briefings and updates on the latest developments in the Listing Rules and other applicable regulatory requirements to ensure compliance with the relevant requirements and to enhance their awareness of sound corporate governance practices. In accordance with the provisions of the CG Code, all Directors should participate in appropriate continuing professional development each financial year to develop and update their knowledge and skills to ensure they continue to contribute to the Board in a fully informed and appropriate manner. All Directors are encouraged to participate in relevant training programs. During the Reporting Period, Directors had participated in continuing professional development and had provided training records to the Company.

### TIME COMMITMENT OF DIRECTORS

Directors demonstrate a strong commitment to Board affairs and are fully aware of the expectation that they should devote sufficient time to Board affairs.

Directors disclose to the Company their interests as Directors on a semi-annual basis, including the number, identity, and nature of positions held in public companies or organizations, as well as other material commitments, and promptly notify the Company of any subsequent changes. As at the date of this annual report, no independent non-executive Director holds directorships in more than four Hong Kong-listed companies (including the Company). The Board considers that all Directors had devoted sufficient time and made contributions to the Company in accordance with their roles and responsibilities during the Reporting Period.

## Corporate Governance Report

### 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(s) 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.

## Corporate Governance Report

### 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 42 years old to 82 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 gender and 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 2025, the gender ratio of senior management in the Group was 2:0 (male to female), and the gender ratio of all employees (excluding senior management) was approximately 4:1 (male to female), 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 failed to at all times meet the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) due to the passing away of an independent non-executive Director on 24 December 2025. As at the date of this annual report, the Board has 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). During the Reporting Period and as at the date of this annual report, the Board has met the requirements that at least one Director possesses 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 director 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 Director

- (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 the 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 review 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 (financial and tax due diligence)	847
<b>Total</b>	<b>5,047</b>

### INVESTOR RELATIONS AND SHAREHOLDERS' ENGAGEMENT

The Company amended the Articles of Association by way of a special resolution passed on 26 June 2025 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.

## Corporate Governance Report

### (1) Purpose

The shareholder communication policy is intended to set out provisions aimed at ensuring Shareholders' equal and timely access to information of the Company, 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](http://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 announcements 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.

The Company recognizes the importance of maintaining clear, timely and effective communication with Shareholders and potential investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure Shareholders and potential investors receive accurate, clear, comprehensive and timely information of the Group by regulatory or voluntary publications (such as publishing financial reports, results announcements, circulars and press releases), general meetings and other investment market communications such as roadshows and media interviews.

As the main channels for the Company to convey information to Shareholders and investors, the Company's website [www.morimatsu-online.com](http://www.morimatsu-online.com) and the HKEXnews website [www.hkexnews.hk](http://www.hkexnews.hk) provide access to the Company's financial reports (interim and annual reports), announcements, circulars, other corporate communications, and the latest updates on business operations and developments for inspection.

## Corporate Governance Report

The annual general meetings held by the Company provide Shareholders with an direct communication platform with the Board and management. All Directors (barring exceptional circumstances) will attend the Company's annual general meetings and answer the questions raised by Shareholders during the meeting. The chairman of the general meeting of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of votes conducted by poll will be published separately on the HKEXnews website and the Company's website. The Company's auditor would also attend annual general meetings to address matters related to the audit.

The Company's share registrars serve Shareholders with respect to all share registration matters. Shareholders may also exercise their right to propose resolutions at general meetings and submit inquiries to the Board in accordance with the paragraph headed "Shareholders' Rights" below.

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 requirements of the Listing Rules whenever they contact or communicate with investors, analysts, the media or other relevant external parties.

Taking into account the various channels above for Shareholders to convey their views, 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 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 Shareholders 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 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](mailto:contact@morimatsu-online.com)/[ircontact@morimatsu-online.com](mailto: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.

### **Making 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/joint company secretaries)

Email: [contact@morimatsu-online.com](mailto:contact@morimatsu-online.com)  
[ircontact@morimatsu-online.com](mailto: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.

## Corporate Governance Report

### 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.

The Company considers that it is an objective of the Company to provide Shareholders with stable and sustainable returns. The Company aims to distribute a certain proportion of distributable profits to Shareholders while retaining the remaining distributable profits for future business expansion.

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.

During the Reporting Period, all dividend decisions made by the Board were made in accordance with the dividend policy of the Company.

### Important Event Log of Shareholders for the Financial Year of 2026

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 2026 is as follows:

#### First half of 2026

- 2025 annual results announcement  
Results release (also available on live broadcasting)
- Roadshow after results announcement
- Annual General Meeting

#### Second half of 2026

- 2026 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.

## Corporate Governance Report

The Board is responsible for overseeing the preparation of annual financial statements and confirms its responsibility for the preparation of the Group's consolidated financial statements, which are prepared in accordance with statutory requirements and applicable accounting standards. The Company publishes its annual and interim results within three months and two months respectively, after the end of the relevant periods.

The Board appoints external auditors to conduct the independent statutory audit of the Group's financial statements. The external auditors attend Audit Committee meetings at least twice per annum to discuss and report on the nature and scope of the audit, any material internal control deficiencies identified during the audit of the consolidated financial statements, and material findings arising from the audit.

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 compliance, 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 adopted the Inside Information Policy (《内幕消息政策》). In compliance with the provisions of Part XIVA of the SFO and the Listing Rules, the Group shall disclose any inside information to the public as soon as reasonably practicable upon becoming aware of such information, unless such information falls within any of the "safe harbor provisions" under the SFO. The Group will ensure that such information remains strictly confidential until it is fully disclosed to the public. If the Group believes that the required confidentiality cannot be maintained, or that such information may have been leaked, it will disclose the information to the public immediately. The Company is committed to ensuring that information contained in announcements is not false or misleading in any material respect, or false or misleading by omission of any material fact, such that the inside information disclosed can be made available to the public in an equal, timely and effective manner. For the handling and dissemination of inside information under the SFO and the Listing Rules, the Group has taken various procedures and measures, including raising the awareness of confidentiality of inside information within the Group, issuing notices regarding blackout period and securities dealing restrictions to the Directors and relevant employees regularly, and disseminating information to designated personnel on a need-to-know basis.

The Group has implemented 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 Group has established a dedicated internal control audit department to undertake the internal audit function, oversee and review 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 report the evaluation results to the Audit Committee at least twice a year. In addition to the internal control audit department, all employees are responsible for the risk management and internal control within their business areas.

During the Reporting Period, the Group's internal and external operating environment remained stable. Since the review conducted in the previous year, there have been no adjustments to the scope of identification or assessment criteria for significant risks. The nature, likelihood of occurrence, and severity of material risks (including environmental, social, and governance risks) have not undergone any material changes. Meanwhile, the Group has further strengthened its risk management and internal control systems. No major adjustments have been made to the business model or resource allocation. In response to potential changes in the business and external environment, the Group's existing governance structure, capital reserves, operational capabilities, and internal control processes enable effective response, providing sufficient risk buffers and adaptability.

During the Reporting Period, the Group has received confirmation from management regarding the effectiveness of the risk management and internal control systems, as well as confirmation from the Board regarding their responsibilities for the risk management and internal control systems. The management and the Board are of the opinion that the Group's risk management and internal control system is effective and adequate, the Group's procedures for financial reporting and compliance with the Listing Rules are effective, the internal and external resources used to design, implement, and monitor the risk management and internal control systems (including but not limited to the employee qualifications and experience, training courses received by employees and budget in accounting/internal audit/financial reporting functions) and resources in relation to environmental, social, and governance performance and reporting are adequate. No material changes were identified in the Group's risk profile or in its risk management and internal control systems, and no material control failures or material control weaknesses were identified.

# 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. 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. In addition, 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

The 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 in Hong Kong, Shanghai, Nantong, Changshu, Weifang in China, as well as in Sweden, Japan, USA, India, Malaysia, Italy and Singapore. In September 2025, the Company’s subsidiary, MII, entered into a Share Transfer Agreement with two independent third parties, pursuant to which MII agreed to acquire 100% of the equity interest in Bioengineering AG and its subsidiaries. Upon completion of the share transfer, the Company indirectly holds 100% of the equity interest in Bioengineering AG and its subsidiaries. As the non-financial operating data is still under integration, Bioengineering AG and its subsidiaries have not been included in the scope of the Report.

### Reporting Period

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

### Basis of Preparation

The 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”. The 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 the Report. However, in case of any inconsistency, the English version shall prevail.

The 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:

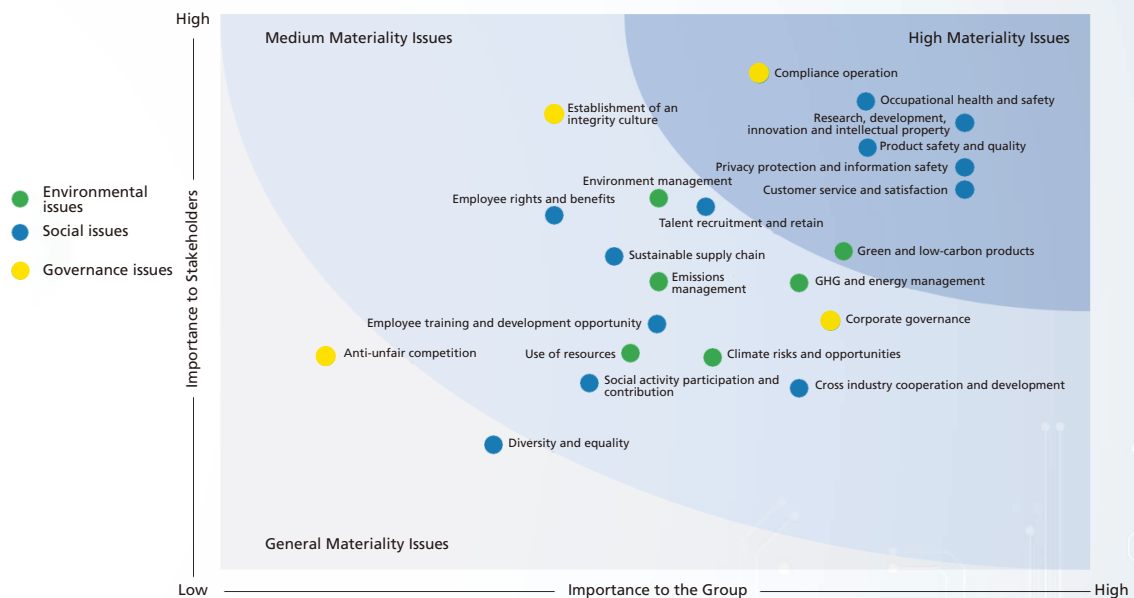
Stakeholders	Expectations on the Group	Communication and responses of the Group
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>• Compliance with various laws and regulations</li> <li>• Promote employment</li> <li>• Pay taxes according to law</li> <li>• Clean production</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with the laws and regulations in the place of operation and implement relevant policies</li> <li>• Accept supervision and inspection</li> <li>• Strengthen compliance management and operation for enterprises</li> <li>• Timely reporting and disclosure of information</li> </ul>
<b>Investors and shareholders</b>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Development strategies</li> <li>• Exploration of new business</li> <li>• Sustainable corporate development</li> <li>• Technology and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Convene regular general meetings and Board meetings</li> <li>• Investor research and communication</li> <li>• Make timely disclosure of statutory matters and business updates</li> <li>• Deepen product and technology innovation and continuously expand new business</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Provide products and services that meet the needs and create greater value for customers</li> <li>• Intellectual property protection</li> <li>• Information safety security</li> <li>• Bear corporate social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the quality of products and services</li> <li>• Improve customer satisfaction</li> <li>• Protect the security of customer data and information</li> <li>• Actively cooperate with customer to perform enterprise social responsibility audit</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Protection of rights and interests</li> <li>• Remunerations and benefits</li> <li>• Safety and health</li> <li>• Career development</li> <li>• Corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Protect the rights and interests of employees and enhance employee benefits</li> <li>• Improve the working environment of employees</li> <li>• Enhance employee health and safety related training and facility investment</li> <li>• Provide employees with better training related to career development</li> <li>• Actively communicate with employees</li> </ul>

## Environmental, Social and Governance Report

Stakeholders	Expectations on the Group	Communication and responses of the Group
<b>Suppliers and business partners</b>	<ul style="list-style-type: none"> <li>• Comply with business ethics and national laws and regulations</li> <li>• Openness and fairness</li> <li>• Commitment</li> <li>• Work with suppliers to promote sustainable development of the supply chain and achieve win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the communication platform for suppliers</li> <li>• Optimize the supplier selection mechanism</li> <li>• Establish an open and transparent tendering mechanism</li> <li>• Provide equal opportunity for suppliers to compete</li> <li>• Improve supplier evaluation</li> </ul>
<b>Industry associations</b>	<ul style="list-style-type: none"> <li>• Facilitate industry development</li> </ul>	<ul style="list-style-type: none"> <li>• Promote sustainable industry development</li> <li>• Promote fair competition in the industry</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Actively participate in community construction</li> <li>• Actively devote to public welfare undertakings</li> </ul>	<ul style="list-style-type: none"> <li>• Commences employee volunteer activities</li> <li>• Contributions to support education</li> <li>• Provides more employment opportunities</li> <li>• Charity donations</li> </ul>

## MATERIALITY ASSESSMENT

Through stakeholder engagement activities and management reviews, and based on the corporate development strategy, industry trends, as well as changes in the internal and external environment, and in consideration of regulatory requirements, industry standards, peer benchmarking, and the results of previous issues assessments, we have identified the following most material ESG materiality issues in terms of relevance and materiality, and established priorities for resource allocation to address these issues. Compared with 2024, we have added the issues of “Anti-unfair competition” and “Diversity and equality”, and elevated the materiality level of the issue “Social activity participation and contribution”. 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.



## 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](mailto: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. We have implemented an executive compensation system linked to environmental performance, where a fixed amount is deducted monthly from the relevant responsible persons’ salaries to establish an “HSE Risk Deposit Fund.” Additionally, the annual achievement of environmental management, HSE, and climate change response targets is incorporated into the executive KPI assessment system. The Group strictly adheres to the ISO 14001:2015 international environmental management system standard, establishing a comprehensive environmental management system (EMS) and supporting management frameworks. We actively promote the digital integration of the environmental management system with the regulatory platforms of the local governments where we operate. In addition, we have formulated and implemented a number of measures to control

## Environmental, Social and Governance Report

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 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 exhaust emission sources related to production activities primarily consist of gases generated during processes such as natural gas combustion in heat treatment furnaces, pickling and passivation, welding, and electrolysis. The Group continuously deepens the green transformation of its production processes, effectively reducing the generation of hazardous gases in production through technological innovation. By comprehensively promoting the use of environmentally friendly raw materials, we have significantly reduced total exhaust emissions. For major pollutants including sulfides, particulate matter, and benzene series compounds, we have established a classified treatment system and implemented precise control measures to ensure all emissions undergo rigorous harmless treatment. 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 2.24 tonnes, the actual emission of nitrogen oxides was approximately 3.23 tonnes, the actual emission of sulphur dioxide was approximately 2.30 tonnes, the actual emission of benzene was approximately 0.04 tonnes, the actual emission of toluene was approximately 0.30 tonnes and the actual emission of xylene was approximately 0.42 tonnes.

### **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 during production processes such as pickling, passivation, electropolishing, stainless steel product surface treatment, and acid mist treatment in the workshops, the Group discharges it into the acidic wastewater collection pool. We employ an internationally leading neutralisation treatment process for advanced purification before recycling the water. The Group has established emergency water storage facilities in critical production areas to ensure timely wastewater collection even in the event of abnormalities in the water treatment system, effectively preventing environmental risks. Wastewater treatment facilities have also been set up so that 80% to 100% of the production wastewater, through pre-treatment and in-depth treatment, can be formed into recycled water. 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 864,145.80 cubic meters of wastewater and did not experience any cases of non-compliance with the effluent discharge standards.

### **Dust**

Metal dust will be generated during the production process of polishing, grinding, cutting, and heat treatment. In view of this, the Group has installed high-efficiency dust removal equipment 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 blanking 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 equipments 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's waste reduction objectives are to continuously strive to minimize waste generation, reduce environmental impact, and achieve resource recycling, while ensuring effective management and disposal of waste.

## Environmental, Social and Governance Report

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 Waste Disposal Process Record Form (《廢棄物處理過程記錄表》) 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 626.00 tonnes of hazardous waste and approximately 5,990.64 tonnes of non-hazardous waste.

### 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 business, the Group will continuously improve the utilization efficiency of relevant resources, save resources as much as possible, and control resource usage. The Group has formulated the Resource and Energy Management System (《資源與能源管理制度》), 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:

- o 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.
- o Require employees to power off computers and other peripheral equipment when they are away from the office for more than one hour.
- o Require the windows and doors to be closed when opening the air conditioning in winter and summer, and set the air conditioning temperature reasonably.
- o 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. During the Reporting Period, the Nantong manufacturing base implemented an energy-saving reform project for the roller frame speed control system. By installing variable frequency converter and replacing variable frequency motors, it significantly reduced equipment startup currents.
- o The Group has been actively constructing photovoltaic energy systems and installing solar panels. During the Reporting Period, the Nantong manufacturing base added approximately 3 megawatt (“**MW**”) of photovoltaic capacity, bringing its total installed capacity to about 13 MW. The Changshu manufacturing base completed the installation of approximately 8.7 MW of distributed photovoltaic panels. As of the end of the Reporting Period, the proportion of electricity consumption from renewable sources at the Nantong and Changshu manufacturing bases reached approximately 30.79%.

### 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 continuously enhanced its capacity for water conservation and utilization. By actively implementing the following water-saving measures, it has accomplished the goals for the efficiency of water use.

- o 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.

## Environmental, Social and Governance Report

- o 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. Based on an annual cleaning frequency of 200 times per container equipment, each equipment can save approximately 277 tonnes of water per year. Simultaneously, it is estimated that the reduction in water flow could save about 200 kilowatt hours of electricity of each equipment per year.
- o The Group has established a rainwater recycle system at its manufacturing bases, which recycles the rainwater for site cleaning and green irrigation.
- o The Group's life sciences business segment has established an intelligent water treatment system, utilizing internationally leading storage and distribution technologies and ozone disinfection processes to ensure that production water fully complies with national GMP purified water standards. It has continuously maintained its qualification as the first factory in China's industry to comply with German water resources regulations, certified by TÜV SÜD.

### 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 green office practices and digital delivery. Through the application of a remote inspection platform and VR (Virtual Reality) technology, the digital delivery system has achieved full-process digital control from design review to Factory Acceptance Testing (FAT). Its implementation not only significantly improves project execution efficiency but also effectively reduces traditional business travel needs, with an estimated reduction of approximately US\$100,000 in travel costs per overseas project. During the Reporting Period, the Group completed paperless transformations of core processes such as the maintenance request system and meal voucher management, and promoted the delivery of electronic documentation in project management. Additionally, the Group has added approximately 410 office automation (OA) approval process forms. Through the effective implementation of paperless operations, the Group saved approximately 16.09 tonnes of paper during the Reporting Period.

### 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 modular product delivery, the Group has developed recyclable engineering plastic sealing protection devices to fully replace traditional wooden blind plates. This not only improves sealing efficiency but also achieves efficient resource utilization, with an estimated average saving of approximately 81% in sealing material costs. For packaging materials such as wood and wooden boxes, the Group has formulated the "Management Measures for the Recycling of Wooden Packaging Materials" (《木質包裝材料循環利用管理辦法》) and established comprehensive standards for the identification, classification, and reuse of packaging materials. These guidelines instruct operational personnel on the safe and compliant secondary utilization of recyclable wood and wooden boxes. During the Reporting Period, we achieved savings of approximately 540.19 cubic meters of wood.

### Oil and gas resources

The Group's daily operations involve the use of oil and gas resources, mainly including the use of diesel fuel for forklift trucks, gasoline and diesel fuel for corporate vehicles and commuter shuttles, natural gas for heat treatment furnaces, natural gas for cooking in canteens and natural gas for boiler room operations. In order to save resources, enhance energy efficiency and reduce energy wastage and pollutant emissions, the Group has established an energy efficiency monitoring and management system within its factories to monitor energy consumption in each production process in real time. The Group undertakes energy-saving renovations and intelligent upgrades of production equipment, adopts advanced technologies and processes to enhance energy utilization efficiency, upgrades high energy-consuming equipment, and introduces advanced automated welding technologies and intelligent equipment to improve production efficiency. The Group also implements energy-saving optimization measures across different manufacturing bases, such as procuring new energy forklifts to replace traditional diesel forklifts at the Nantong manufacturing base, utilizing new energy handling vehicles and upgrading lighting fixtures to LED energy-saving lamps at the Malaysia manufacturing base, and introducing automated guided vehicles for warehouse operations and for inter-process transportation within workshops at the Changshu manufacturing base. 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	960,162.00	tonnes	138.05	tonnes/RMB million revenue
	Purchased grid electricity	24,037.15	thousand kW-h	3.46	thousand kW-h/RMB million revenue
	Consumption of on-site solar photovoltaic electricity	10,692.93	thousand kW-h	1.54	thousand kW-h/RMB million revenue
	Natural gas	301.73	10,000m <sup>3</sup>	0.04	10,000m <sup>3</sup> /RMB million revenue
Paper	Printing paper	23.47	tonnes	—	tonnes/RMB million revenue
Packaging materials	Rain-proof cloth/bag	614,428.93	m <sup>2</sup>	88.34	m <sup>2</sup> /RMB million revenue
	Wooden board/ wooden box	43,341.59	m <sup>2</sup>	6.23	m <sup>2</sup> /RMB million revenue
	Wooden cubes/ wooden brackets	1,144.84	m <sup>3</sup>	0.16	m <sup>3</sup> /RMB million revenue
	Iron saddle/frame	2,592.86	tonnes	0.37	tonnes/RMB million revenue
	Tray	22,956.83	m <sup>2</sup>	3.30	m <sup>2</sup> /RMB million revenue
	Drying agent	19,384.00	kg	2.79	kg/RMB million revenue
	Packing tape/plywood tape	9,252.44	m	1.33	m/RMB million revenue
Fuel consumption	Petrol	96,582.83	litre	13.89	litre/km
	Diesel	219,555.46	litre	31.57	litre/RMB million revenue

## Environmental, Social and Governance Report

### 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 focuses on environmental protection-related investments to mitigate the potential impact of its operations on the environment and natural resources. During the Reporting Period, the Group's environmental protection expenses were mainly related to two aspects: (1) environmental protection tax and emission fees of approximately RMB50,700; and (2) environmental protection-related external service fees of approximately RMB966,300.

## 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.

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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 on 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. Additionally, the Group offers benefits such as long-service awards, festive activities, and psychological counseling. 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 it operates. 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 2025, the total number of employees of the Group was 4,820 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	51 and above	Male	Female	Total number of employees
Age	1,302	1,955	1,113	450	/	/	4,820
Gender	/	/	/	/	3,862	958	4,820

Employment of active employees by region:

Classification	Shanghai	Jiangsu	Shandong	Sweden	India	Japan	USA	Hong Kong	Italy	Mexico	Singapore	Malaysia	Total number of employees
Region	1,234	3,083	43	15	88	43	14	1	6	19	19	255	4,820

## Environmental, Social and Governance Report

Employment of active employees by employment type:

Classification	Permanent	Contract	Total number of employees
Employment type	4,671	149	4,820

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, festive activities, 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 8 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. To enhance employee well-being, the Group conducted specialized satisfaction surveys on daily matters such as cleaning, catering, security, and commuter shuttle services. Based on employee feedback, relevant services were promptly optimized. Nevertheless, given the persistent challenges and intense competition in recruiting and retaining employees within the industry, 561 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	51 and above	Male	Female	Total number of employees
Age	244	203	79	35	/	/	561
Gender	/	/	/	/	506	55	561

Former Employees by region:

Classification	Shanghai	Jiangsu	India	Japan	USA	Singapore	Malaysia	Total number of employees
Region	119	326	22	2	3	7	82	561

### 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 and certified 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 installed safety devices on equipment and systems, established authorization protocols for operational procedures, and implemented a comprehensive alarm mechanism to provide timely warnings for various risks and abnormal conditions.

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度》), 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 11 work-related accidents, resulting in a total of approximately 747 lost working days due to work-related injuries. In the past three years (including the Reporting Period), the Group recorded 1 work-related fatality. Specifically, there was one work-related fatality in 2025, zero in 2024, and zero in 2023. During the Reporting Period, the Group recorded one work-related fatality, which was primarily attributable to the employee's violation of operating procedures by working without prior reporting or necessary supervision.

In order to thoroughly reflect on and prevent the recurrence of such incidents, the Group has conducted in-depth reviews and implemented enhancements in four key areas: specialized operational procedures, on-site safety warnings, emergency self-rescue equipment, and employee safety training, with the aim of strengthening safety risk controls for confined space operations and all other hazardous tasks.

## Environmental, Social and Governance Report

### 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, details of which can be found in the “Management Discussion and Analysis” section of this annual report. The Group has formulated 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, and encourages them to obtain relevant professional qualifications. Where eligible, the Group will provide financial assistance for tuition fees, training costs, and examination fees.

The employee training data is as follows:

	Category	Percentage of employees trained	Average training hours
Employee training by gender	Male employees	100%	15.72 hour(s)/person
	Female employees	100%	18.25 hour(s)/person
Employee training by job level	Employees engaged in production work	100%	15.67 hour(s)/person
	Employees not engaged in production work	100%	16.53 hour(s)/person

### 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 through its Supplier Relationship Management Platform (SRM Platform). These criteria encompass multiple factors such as business qualifications, product quality, pricing, supply chain stability, financial standing, compliance performance, commercial reputation, and ESG considerations. 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.

The Group classifies suppliers based on the purpose and frequency of purchasing materials from suppliers as well as the impacts of the purchased material on the quality of its products. 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. 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 2025, the Group had approximately 2,525 suppliers related to production activities, to whom the Group had implemented the aforesaid engagement and review policy. Among them, approximately 1,609 were domestic suppliers in China and approximately 916 were overseas suppliers. The domestic suppliers include 15 in Northeast China, 79 in North China, 1,402 in East China, 53 in South China, 32 in Central China, 19 in Northwest China and 9 in Southwest China. Overseas suppliers are mainly located in 7 countries, namely USA, Japan, Germany, Switzerland, Singapore, the United Kingdom, and Malaysia.

## Environmental, Social and Governance Report

### Product Responsibility

The Group strictly adheres to the applicable laws and regulations governing product liability, advertising, labelling, and privacy protection in the regions where it operates. The Group's product quality control system has passed the certification of ISO 9001:2015. For core equipment, the Group has established systems including 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 control, we have established management systems including the Quality Management System Requirements (《質量管理體系要求》), Quality Management System Documentation (《質量管理體系文件》), Quality Management Handbook (《質量管理手冊》), 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》). Concurrently, the Group actively employs digital systems including the iMES management platform, Total Quality Management (TQM) platform, Non-destructive Examination (NDE) reporting platform, and Physical and Chemical Testing reporting platform to implement full lifecycle quality control. This encompasses all stages from sales quotations, project planning, project design and procurement, construction and installation, final project inspection, to project delivery.

The Group conducts annual internal and external audits on product quality, organises quality control training programmes, compiles monthly statistics on quality concerns and improvement proposals submitted by staff, and rewards outstanding proposals and exemplary conduct.

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 did not have any recalls of sold or delivered products for safety and health reasons during the Reporting Period.

The Group employs an integrated customer relationship management system (CRM system) to centrally manage customer information, sales and service records, while supporting the streamlined execution of marketing campaigns. This enhances the efficiency and standardisation of customer service delivery. The Group distributes the Customer Satisfaction Survey Forms (《顧客滿意度調查表》) 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 non-response. During the Reporting Period, the Group distributed the Customer Satisfaction Survey Forms, a total of 2,176 evaluation items were surveyed, of which 24 were rated as "non-response", and the remaining satisfaction results were: 72% were rated as A, i.e. very satisfied; 24% were rated as B, i.e. satisfied; 2% were rated as C, i.e. average; and 1% were rated as D, i.e. relatively dissatisfied; and 0% were rated as E, i.e. dissatisfied, and the overall customer satisfaction rate was 96%. The Group has set up an after-sales service department specifically responsible for addressing to complaints from customers. During the Reporting Period, the general complaints handling rate reached 100%, with 0 major complaints received regarding products and services. After receiving the 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. Upon completion of complaint handling, the Group will 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 established an information security management system and framework, and 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 management division 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. To continuously enhance the security resilience of information systems and incident response capabilities, the Group has established a routine information security emergency drill mechanism. Practical simulation exercises are conducted focusing on high-risk scenarios such as data breaches, malware attacks, and core system failures. Measures including the deployment of antivirus software, implementation of cloud-based data backup, and access controls have been implemented to strengthen the security protection of information 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.

## Environmental, Social and Governance Report

### 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》), Honest Agreement (《廉潔協議》), 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:

- Clearly sets out the code of conduct related to anti-corruption and anti-bribery for employees.
- 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 the Letter of Commitment of Honest and Self-discipline (《廉潔自律承諾書》) 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 a Whistleblowing Management System (《舉報管理制度》) to encourage employees, business partners and other stakeholders to report intended, suspected or actual acts of fraud, extortion, bribery and money laundering through channels such as the whistleblowing hotline, general manager mailbox and audit committee mailbox.

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. The anti-corruption training conducted by the Group is set out in the table below:

Category	Numbers of employees trained	Average training hours
Anti-corruption training for directors	9	1 hour/person
Anti-corruption training for staff other than directors	487	1 hour/person

### 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 institutions including East China University of Science and Technology, Shanghai Institute of Technology, Jiangsu Maritime Institute, Rugao Senior Technical School and etc., 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 around RMB1.7705 million to the Shanghai Zhongqiao Vocational and Technical University Educational Development Foundation, Kagoshima University and other colleges and universities, and donated around RMB71,230 to the society.

During the Reporting Period, in response to the Chinese government's call for international vocational education cooperation under the Belt and Road Initiative and as part of our commitment to community engagement, the Group systematically supported the development of skilled young talent in Malaysia through the establishment of the Morimatsu-Chinese Overseas International Class Talent Project in collaboration with Shanghai Zhongqiao Vocational And Technical University. We not only provide Malaysian students with opportunities for professional study and industrial practice, but are also committed to integrating advanced technology and educational experience into the local context. This supports Malaysia in building a sustainable local talent ecosystem, contributing long-term value to regional economic and social development. The Group also encourages employees to participate in social welfare and charitable activities during their leisure time, leveraging their individual strengths.

During the Reporting Period, the Group cumulatively invested approximately RMB1.84 million in social welfare initiatives, with employees contributing over 100 hours of volunteer service time.

## Environmental, Social and Governance Report

The Group actively participates in industry associations and industry exchange activities. The Group serves as the Vice Chairman Unit of the Jiangsu Petrochemical Equipment Industry Association; a Standing Council Member Unit of the China Chemical Industrial Equipment Association; a Council Member Unit of the Shanghai Producer Services Promotion Association; the Vice Chairman Unit of the Shanghai Society of Biochemistry; a Member Unit of the Shanghai Intelligent Manufacturing Industry Association, the Shanghai Biomedical Industry Association, the Shanghai Synthetic Biology Industry Association, the China Petroleum and Chemical Engineering Survey and Design Association, the China Association of the National Shipbuilding Industry, the China Chemical Fibers Association, and the Pressure Vessel and Piping Professional Committee of the Shanghai Society of Mechanical Engineering.

### CLIMATE-RELATED DISCLOSURE

The Group proactively manage the issues related to climate change, in particular, it effectively implements risk control mechanism to identify and manage climate risks and opportunities on an ongoing basis, enhances its resilience to climate risks, and seizes market opportunities arising from low-carbon transformation, aiming to build its sustainable core competitiveness.

#### Governance Structure

The Board of the Company is the highest governance body supervising the Group's climate-related risks and opportunities, responsible for overseeing the Group's strategies for addressing climate-related risks and opportunities. The Group has established an ESG management team as the governance execution body, which is led by Mr. Kawashima Hirotaka, an Executive Director, and consists of the heads of the Group's ESG-related departments, covering multiple functional areas including environmental and climate management, risk management, and corporate governance. It comprehensively coordinates the planning and implementation of climate change-related work and reports regularly to the Board. The Group has established ESG working groups in the life science business unit and energy and materials business unit, which are composed of the heads of ESG-related departments from respective business units and are dedicated to ensuring the execution and implementation of the Group's policies and measures for addressing climate-related risks and opportunities under the leadership and supervision of the ESG management team.

During the Reporting Period, our ESG management team engaged an external third-party advisor to conduct analysis and training on addressing climate change, besides, it also regularly conducted special discussions and exchanges on climate-related risks and opportunities, and carbon emission management, to ensure that our management possesses appropriate skills and competence for supervising the strategies for addressing climate-related risks and opportunities. The ESG management team regularly reported the progress and achievements regarding climate-related works to the Board for its review and confirmation, and made recommendations to the Board for its consideration and assessment on how to take climate-related risks and opportunities into consideration when making business strategies, significant transaction decisions and conducting risk management, as well as how to set working goals on climate-related risks and opportunities.

## Climate-related Risks, Opportunities, Strategies and Decisions

The Group strictly complies with Part D of Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Listing Rules, it adopts climate scenarios of SSP1–2.6 and SSP2–4.5 under the Shared Socioeconomic Pathways (SSP) of the Intergovernmental Panel on Climate Change (IPCC) to assess physical risks with reference to industry benchmarking results. Concurrently, with reference to the Current Policies Scenario (CPS) and Net Zero Emissions by 2050 Scenario (NZE) framework of International Energy Agency (IEA), the Group comprehensively analyzes climate-related transition risks and potential development opportunities, ensuring that it manages climate-related risks and opportunities in a forward-looking and scientific manner. The following table sets out the details of the climate scenarios selected by the Group:

Scenario Selection for Climate-related Physical Risks		Scenario Selection for Climate-related Transition Risks	
SSP1–2.6	SSP1-RCP 2.6 represents a low-emission scenario that aims to keep the increment in global average temperature during the 21st century likely below 2°C above pre-industrial levels, while striving to approach the objective of an increment of 1.5°C. This scenario requires the global implementation of robust climate policies, including significantly reducing the use of fossil fuels, improving energy efficiency, and promoting renewable energy.	IEA NZE	The Net Zero Emissions by 2050 Scenario (NZE) is a normative pathway proposed by the IEA, requiring the energy sector to achieve net zero emission by 2050 without relying on external offsets.
SSP2–4.5	SSP2–4.5 represents a medium-emission scenario that assumes the implementation of certain emission reduction measures, but global greenhouse gas emissions will still peak around mid-century and then gradually decline. Under this scenario, it is expected that the global average temperature will rise by approximately 2.4°C to 3.0°C by 2100. SSP2–4.5 represents a possible trajectory of greenhouse gas emissions in the future in the absence of achieving the more ambitious objectives of the Paris Agreement.	IEA CPS	The Current Policies Scenario (CPS) is a baseline scenario strictly based on existing laws and regulations. It depicts a possible development path for the global energy system assuming that government policies are completely frozen as of today.

Taking into account the historical climate profile in the locations where the Group operates, the adaptability and resilience of each of the Group’s business entities in responding to climate risks, together with the Group’s current financial investment and future business plans, and with reference to the Group’s current management on climate-related risks and opportunities, the Group has selected the locations of its manufacturing bases (including Shanghai, Nantong and Changshu in China, as well as Pengerang in Malaysia) and relevant operating entities as places where climate-related risks and opportunities are concentrated for focused analysis.

Considering the Group’s strategic development schedule, we have selected three timeframes for analysis: short-term (2025–2027), medium-term (2027–2035) and long-term (2035–2050), to assess climate-related risks and opportunities across different timeframes.

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Based on the selected scenarios and timeframes above, the Group has assessed the business nature of its industry and its strategic development schedule. With reference to the application guidance set out in Appendix B to IFRS S2 Climate-related Disclosures and the implementation guidance published by the Stock Exchange on its website, and taking into account guidance from mainstream rating agencies, peer practices, and recommendations from external third-party advisors, the Group has identified climate-related risks and opportunities that could affect the Group's cash flows, financing channels, or cost of capital over the short, medium, or long term, assessed the current and anticipated impacts of various risks and opportunities on the Group's business model and value chain, and prepared a list of climate-related risks and opportunities as follows. Based on the management's prudent assessment, it is anticipated that climate-related risks and opportunities will not have a material financial impact on the Group in the short term. Meanwhile, due to practical constraints in obtaining and quantifying climate-related financial data, the Group has not conducted a specific financial impact analysis on climate-related issues nor adopted a carbon pricing mechanism for carbon management during the Reporting Period.

The Group will further assess the expected financial impacts of climate-related physical risks, transition risks, and opportunities on assets/business activities, as well as the amounts of associated capital expenditures, financing, or investments. Simultaneously, the Group will further evaluate the anticipated financial effects of climate-related matters on its financial position, financial performance, and cash flows, with the aim of better incorporating these into the Group's overall risk management processes. We will also continue to monitor relevant policies and market developments, and incorporate carbon pricing factors in future scenario updates in a timely manner to enhance the comprehensiveness and foresight of our analysis.

### Climate-related Physical Risks of the Group:

Type of Physical Risks	Climate Scenario	Short-term Impact	Medium-term Impact	Long-term Impact	Risk Description and Response Strategies	
<b>Acute Climate Risk</b>	Typhoon	RCP2.6	low	low	low	<p>The frequency and severity of extreme weather events, such as floods, typhoons, and droughts, will increase as a result of climate change:</p> <ul style="list-style-type: none"> <li>• Extreme weather will likely damage factory production facilities of the Group, resulting in economic losses and disruptions in production;</li> <li>• 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;</li> <li>• The lives and health of the Group's employees may be threatened, and production efficiency and product delivery services cannot be guaranteed;</li> <li>• 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.</li> </ul>
	Floods	RCP4.5	low	low	low	
		RCP2.6	medium	medium	medium	
		RCP4.5	medium	medium	medium	
					<ul style="list-style-type: none"> <li>• Risk Avoidance: During the project planning and construction phase, the Group incorporates climate risk factors into the comprehensive assessment system, and prioritizes the avoidance of areas with high risk for site selection. During the operation phase, it implements adaptive modifications to operational sites or strategic relocation plans when appropriate based on the actual impact of climate risks.</li> <li>• Early Warning Monitoring: The Group establishes a dynamic monitoring mechanism for meteorological early warnings, initiates graded response measures strictly following the warning levels issued by meteorological department and in accordance with its Special Emergency Scheme for Typhoon and Flood Prevention (《防颱防汛專項應急預案》), promptly adjusts its production plans and reports to the competent authorities at the operating locations.</li> <li>• Emergency Management System: The Group establishes a dedicated emergency management organization and formulates a Contingency Plan for Emergency Environmental Incident (《突發環境事件應急預案》). It organizes regular specialized training on emergency response to extreme weather, to fully implement the Group's risk management policies and emergency response procedures.</li> </ul>	

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Type of Physical Risks	Climate Scenario	Short-term Impact	Medium-term Impact	Long-term Impact	Risk Description and Response Strategies	
<b>Chronic Climate Risk</b>	Extreme heat	RCP2.6	low	low	low	<ul style="list-style-type: none"> <li>Operational Protection: The Group continuously improves the construction of safety protection facilities at operational sites, deploys professional emergency equipment and material reserves such as flood walls in riverfront areas and drainage systems in electrical equipment areas, to effectively prevent production safety risks, property loss risks, and operational interruption risks. Concurrently, it purchases commercial insurance for each operational site to build a multi-level risk protection system.</li> <li>Supplies for Heat Prevention and Cooling: The Group provides employees with heat prevention medicines, salted soda water, mung bean soup, and other cooling beverages and supplies, and installs professional cooling equipment such as air conditioners, exhaust fans, and air coolers in operation areas.</li> <li>Work Schedule Adjustments during High Temperatures: When temperatures reach 35°C or above, the Group adjusts work schedules appropriately and extend midday break.</li> <li>Cooling Measures for Critical Equipment: For areas with high-temperature sensitive equipment such as electrical control cabinets and main transformer rooms, the Group implements professional cooling measures including air conditioners, exhaust fans, or ice packs.</li> <li>Equipment Inspection and Maintenance: The Group arranges for professional personnel to conduct regular inspections of key areas such as electrical distribution rooms, to prevent safety hazards such as short circuits caused by equipment overload.</li> <li>Digital Management: The Group establishes a digital water resource management system to achieve real-time monitoring and precise control of water usage.</li> <li>Technology R&amp;D: The Group advances the development and application of water recycling technologies to reduce its reliance on freshwater resources.</li> <li>Regular Assessment: The Group establishes a regular risk assessment mechanism to continuously monitor the impact of water scarcity and sea-level rise on business operations.</li> </ul>
		RCP4.5	low	low	medium	
	Water scarcity	RCP2.6	medium	medium	medium	
		RCP4.5	medium	high	high	
	Rising sea level	RCP2.6	low	low	low	
		RCP4.5	low	low	low	

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## Climate-related Transition Risks of the Group:

Type of transition risks	Timeframe Affected		Degree of Possibility Impact		Risk Description and Response Strategies	
	Timeframe Affected	Possibility	Impact			
<b>Policies and Laws</b>	Carbon performance risk	medium-to long-term	high	medium-high	<p>Governments of various countries are gradually implementing carbon pricing mechanisms, including carbon taxes and carbon emission trading system, aiming to effectively control greenhouse gas emissions by increasing the cost of carbon emissions for corporates, and to translate national climate goals into feasible requirements at the corporate level. Forecast data from authoritative research institutions such as the International Energy Agency (IEA) show that the global carbon pricing will continue to rise annually.</p> <p>Globally, government of various countries and stock exchanges will progressively strengthen the disclosure requirements on carbon emissions, and corporates are required to bear the monitoring and auditing costs accordingly. Any corporate which fails to meet such requirements will be exposed to the risks including administrative penalties, regulatory warning and financing restrictions.</p> <p>Any corporate whose existing products and services are featured with high carbon footprint, significant energy consumption or relatively outdated production processes may be exposed to the constraints and regulations of tightening national regulations and industry standards, and potential risks may be imposed on normal operation and business growth of those corporates accordingly.</p>	<ul style="list-style-type: none"> <li>• The Group regularly organizes and implements reviews on carbon emissions, comprehensively investigating the carbon emission profiles across the corporates.</li> <li>• The Group continues to promote special initiatives to conserve energy and reduce consumption, to constantly improve energy efficiency.</li> <li>• The Group establishes a ESG information disclosure mechanism, and regularly issues the ESG reports.</li> <li>• The Group engages external third-party advisor to implement proactive management on potential regulatory risks.</li> </ul>
	Enhanced emission reporting obligations	short-term	high	medium		
	Supervision on existing products and services	medium-to long-term	high	high		
<b>Technology</b>	Low-carbon technological innovation	medium-to long-term	high	medium	<p>Industries with high energy consumption and carbon emissions usually face significant technological barriers and pressure from R&amp;D investment during the low-carbon transition, for example, traditional energy enterprises are required to address to the technological upgrades of high-costs and industrialization challenges when shifting to new energy businesses.</p> <p>Low-emission technologies primarily refer to the R&amp;D and application of emerging technologies such as renewable energy, energy storage system, energy efficiency enhancement and carbon capture and storage, and related investments cover multiple aspects including the upgrading of energy-saving equipment, photovoltaic deployment and processes optimization.</p>	<ul style="list-style-type: none"> <li>• The Group actively advances the R&amp;D and application of sustainable technology solutions.</li> <li>• The Group consistently increases its investment in R&amp;D of low-carbon technologies.</li> <li>• The Group continuously apply photovoltaic power generation facilities across its production and operation sites.</li> </ul>
	Energy structure adjustment	short-to medium-term	high	medium		

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Type of transition risks	Timeframe		Degree of		Risk Description and Response Strategies	
	Affected	Possibility	Impact			
<b>Market</b>	Changes in customer behavior	short-to-medium-term	medium	high	<p>Under the trend of low-carbon transformation, corporate clients are gradually tending to choose low-carbon products. Suppliers fail to meet the emission reduction requirements may face the risk of customer churn and order reduction, directly affecting their operating income.</p> <p>The physical risks brought by low-carbon transition and climate change may exacerbate the price fluctuations of energy-intensive raw materials such as steel, cement, and chemicals, thereby driving up the production costs of enterprises.</p> <p>During the global low-carbon transition process, factors such as policy changes, technological disruption, and market realignment may expose the entire industry to systemic financial risks such as declining revenue, weakening profitability, rising financing costs, and asset impairment.</p>	<ul style="list-style-type: none"> <li>The Group establishes a market dynamic monitoring mechanism to identify the changing trend in customer needs.</li> <li>The Group continuously optimizes the low-carbon profile of its products to improve its market competitiveness.</li> <li>The Group optimizes its procurement strategies by entering into long-term agreements to stabilize the prices for key raw materials.</li> </ul>
	Changes in cost of raw materials	short-to-medium-term	medium-high	medium-high		
	Uncertainty of market signals	short-to-medium-term	low	low		
<b>Reputation</b>	Concerns of stakeholders	short-to-long-term	low	low	<p>With the increasing attention of stakeholders such as the government, investors, and customers towards the low-carbon transition of enterprises, enterprises fail to respond inadequately and trigger negative public opinion may be exposed to significant impact on their reputation, financing costs, and share price.</p>	<ul style="list-style-type: none"> <li>The Group regularly conducts assessment on its ESG management effectiveness, and proactively disclose information related to ESG management and low-carbon transition.</li> <li>The Group continuously tracks changes in customer needs, optimizes its product and service solutions, and timely iterates its products and solutions in response to shifting customer preference.</li> </ul>
	Shifting of consumer preference	medium-to-long-term	medium	low	<p>Driven by factors such as climate change response policies, technological advancement, and rising public environmental awareness, consumer preferences will undergo structural changes, which may pose potential risks to the revenue, market share, and long-term profitability of enterprises.</p>	
	Negative ESG issues	short-to-long-term	medium	low	<p>If a major negative event occurs in the environmental, social, or governance aspects of an enterprise, it may face consequences such as reputational damage, customer churn, regulatory penalties, and rising financing costs, materially affecting its financial position, market value, and long-term development.</p>	

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Climate-related Opportunities of the Group:

Climate-related Opportunities	Timeframe Affected	Transformation Plans
Energy source	short-to long-term	<ul style="list-style-type: none"> <li>Accelerate the deployment of distributed photovoltaic systems to reduce energy costs, and maintain a package of green power certificates as a hedge against potential carbon tariffs.</li> <li>Gradually build a distributed energy network integrating energy storage and intelligent regulation to enhance the utilization efficiency of green power and the stabilization of power supply.</li> </ul>
Resource efficiency	short-to long-term	<ul style="list-style-type: none"> <li>Continuously apply a digital energy and resource management platform to realize the real-time monitoring, analysis and optimization of consumption of key resources.</li> <li>Continuously research, develop and introduce advanced production processes and energy-saving technologies to improve the utilization efficiency of resources such as energy, water, and materials at the source.</li> </ul>
Product and service	short-to long-term	<ul style="list-style-type: none"> <li>Accelerate the iteration of our core products and services to enhance its competitiveness in dimensions including energy efficiency, low-carbon performance and intelligence, and to expand its market share of sustainable solutions.</li> <li>Deeply integrates industrial internet and digital technologies to provide integrated services of “smart equipment + energy efficiency management”, enabling our customers to achieve green transformation and efficiency improvements.</li> </ul>
Market opportunities	short-to long-term	<ul style="list-style-type: none"> <li>Establish a prompt response mechanism for customer needs, conduct joint research and development with major customers, and develop customized solutions to address pain points such as energy conservation, emission reduction, and process optimization.</li> <li>Systematically implement carbon accounting and emissions reduction for the Company’s operations and supply chains, and proactively make arrangements in advance to obtain its environmental qualifications that align with strict market access requirements including EU’s Carbon Border Adjustment Mechanism (CBAM).</li> </ul>
Adaptability opportunities	short-to long-term	<ul style="list-style-type: none"> <li>Optimize the supplier structure, diversifies its strategic procurement channels, and establish a key materials reserve mechanism, to enhance the resilience of its supply chain.</li> <li>Conduct research and development of forward-looking technologies, make early deployment for low-carbon equipment and solutions in emerging fields such as hydrogen energy, CCUS (Carbon Capture, Utilization and Storage), and bio-manufacturing, to lay a technical foundation for expanding new businesses and adapting to new markets.</li> </ul>

Through systematic analysis and identification of climate-related risks and opportunities, the Group has confirmed the effectiveness of its current response mechanisms for climate-related risks and opportunities. The Group will continuously enhance its management capabilities for climate-related risks and opportunities to achieve the goals required by relevant laws or regulations in the locations where it operates, and to realize green and sustainable development. We will also continue to maintain close communication with value chain partners, proactively keep abreast of industry transformation trends and corporate response strategies, and ensuring it is well-prepared for the implementation of climate-related transformation plans. Relying on the Group’s advantages in core production technologies in areas such as low-carbon fuel production equipment and renewable energy utilization systems, the Group is committed to providing modular one-stop solutions featured with safety, reliability, efficiency, low-carbon, and cost-optimization for global green energy fields such as green hydrogen, green ammonia, green urea, CCU, green methanol, and SAF, promoting the transformation of the industrial energy structure towards low-carbon, green, and clean energy on a global scale.

As of the date of the Report, the Group has formulated mitigation and adaptation strategies for the identified climate-related risks and opportunities, allowing the Group to adjust its short-term, medium-term, and long-term strategies and business models in accordance with climate-related risks and opportunities. Through the implementation of relevant response strategies and transformation plans, the Group will build robust climate resilience to effectively address the potential impacts of climate change on its operations.

### **MANAGEMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES**

The Group integrates the management of climate-related risks and opportunities into its risk management process and carries out risk management work in an orderly manner, to enhance the Group's resilience to climate change. The Board of the Company is responsible for the Group's risk management and internal control systems and regularly reviews their effectiveness. The Audit Committee of the Board regularly evaluates the Group's risk management and internal control systems, periodically reviews significant internal audit matters of the Group, and reports the evaluation and review results to the Board. The Group has established an internal control audit department as the management and supervision department for risk management and internal control, which regularly identifies and assesses risks faced and potentially faced by the Group, and reports to the Audit Committee of the Board, additionally, it is responsible for supervising the implementation of relevant response measures.

Regarding the identification, assessment, prioritization for the Group's climate-related risks and opportunities, and the implementation and supervision of relevant response measures, the ESG management team and the internal control audit department collaboratively report the work progress and results to the Board, and as for which, the relevant data sources and procedures cover the Company and its subsidiaries.

### **METRICS AND TARGETS**

In active response to the national "dual carbon" strategic goals and benchmarking against international advanced practices, the Group has set long-term targets for its climate-related management. It conducts carbon verification at key manufacturing bases to continuously monitor the Group's greenhouse gas emission inventory and management practices, and regularly reviews and tracks progress against these targets. The Group will actively enhance the utilization rates of diesel, gasoline, general electricity, and natural gas through green process upgrades and energy-saving technological transformations, and continuously reduce energy consumption per unit of output value. The Group will continue to increase the proportion of clean energy used, reducing indirect carbon emissions from energy consumption through measures such as installing photovoltaic equipment. Additionally, the Group has established a standard framework based on the Science Based Targets initiative (SBTi) at its Changshu manufacturing base, and has set SBT which has been submitted to SBTi for approval.

During the Reporting Period, the Group completed carbon inventory for Scope 1, Scope 2, and partial Scope 3 emissions in accordance with the Greenhouse Gas (GHG) Protocol standard, and comprehensively identified greenhouse gas emissions across the value chain. The main types of energy used by the Group include purchased electricity, natural gas used in heat treatment furnaces and canteens, etc., the diesel fuel for forklift vehicles and gasoline for business vehicles. Purchased electricity constitutes the main source of the Group's operational carbon emissions, accounting for approximately 65.69%. Compared to 2024, the Group's absolute Scope 1 and Scope 2 GHG emissions decreased by approximately 10.88% in 2025.

## Environmental, Social and Governance Report

During the Reporting Period, the Group's absolute greenhouse gas emissions are set out in the table below:

Metrics Name	Unit	Quantity <sup>Note</sup>
<b>Environment Management</b>		
<b>Greenhouse Gas</b>		
Scope 1 greenhouse gas emissions	tCO <sub>2</sub> eq.	7,301.19
Scope 2 greenhouse gas emissions	tCO <sub>2</sub> eq.	15,279.64
Total greenhouse gas emissions (Scope 1+ Scope 2)	tCO <sub>2</sub> eq.	22,580.83
Intensity of greenhouse gas emission	tCO <sub>2</sub> eq./RMB million revenue	3.25
Scope 3 — Fuel and energy-related activities	tCO <sub>2</sub> eq.	2,380.66
Scope 3 — Waste generated from operations	tCO <sub>2</sub> eq.	324.86
Scope 3 — Franchises	tCO <sub>2</sub> eq.	Not relevant

Note: The greenhouse gas emission accounting methodology described in this document is primarily based on The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), jointly published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), for quantification and reporting.

**KEY PERFORMANCE INDEX (“KPI”) REFERENCE TABLE**

Reference KPI of the Code	Corresponding KPIs in the sections of the Report
<b>A. ENVIRONMENTAL</b>	
<b>A1: Emissions</b>	<b>Emission</b> Waste gas Waste water Dust Noise Waste
<b>A2: Use of Resources</b>	<b>Use of Resources</b> Electricity resources Water resources Paper resources Packaging materials Oil and gas resources
<b>A3: Environmental and Natural Resources</b>	<b>Environmental and natural resources</b>
<b>B. Social</b>	
<b>Employment and Labour Practices</b>	
<b>B1: Employment</b>	<b>Employment Policy and Care for Employees</b>
<b>B2: Health and Safety</b>	<b>Occupational health and safety policies</b>
<b>B3: Development and Training</b>	<b>Human Capital Development and Training Policy</b>
<b>B4: Labour Standards</b>	<b>Labour Standards</b>
<b>Operating Practices</b>	
<b>B5: Supply Chain Management</b>	<b>Supply Chain Management</b>
<b>B6: Product Responsibility</b>	<b>Product Responsibility</b> <b>Protection of Intellectual Property Rights</b> <b>Data Protection and Privacy Policies</b>
<b>B7: Anti-corruption</b>	<b>Anti-corruption policies</b>
<b>Community</b>	
<b>B8: Community Investment</b>	<b>Community investment</b>
<b>D. Climate-related Disclosures</b>	
	<b>Climate-related Disclosures</b> Governance structure Climate-related Risks, Opportunities, Strategies and Decisions Management of Climate-related Risks and Opportunities Metrics and targets

# Independent Auditor's Report

## 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 129 to 239, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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**") as 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**"), as applicable to audits of financial statements of public interest entities. We have also 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 154 to 156 (Note 1(w)).

#### 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.

Our audit procedures to assess the recognition of revenue on sales of pressure equipment and related service included the following:

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.

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition;

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.

- 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;

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.

- 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;

## Independent Auditor's Report

### KEY AUDIT MATTERS (Continued)

#### Revenue recognition (Continued)

Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 154 to 156 (Note 1(w)).

#### 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 2025 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 154 to 156 (Note 1(w)).

**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.

## Independent Auditor's Report

### **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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

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 HKFRS Accounting Standards as 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.

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's 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.

As part of an audit in accordance with HKSA's, 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 consolidated 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 purposes of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report

### **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 (practising certificate number: P06438).

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
23 March 2026

# Consolidated Statement of Profit or Loss

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	3	<b>6,954,932</b>	6,948,354
Cost of sales		<b>(5,138,349)</b>	(4,898,577)
<b>Gross profit</b>		<b>1,816,583</b>	2,049,777
Other income	4	<b>153,180</b>	117,406
Selling and marketing expenses		<b>(213,212)</b>	(164,287)
General and administrative expenses		<b>(659,378)</b>	(565,118)
Research and development expenses		<b>(310,386)</b>	(399,241)
Impairment loss on trade receivables and contract assets	32(a)	<b>(51,961)</b>	(116,344)
<b>Profit from operations</b>		<b>734,826</b>	922,193
Finance costs	5(a)	<b>(16,458)</b>	(10,448)
Share of results of associates	14	<b>(1,222)</b>	(491)
Share of results of joint ventures	15	<b>(100)</b>	—
<b>Profit before taxation</b>	5	<b>717,046</b>	911,254
Income tax	6(a)	<b>(132,754)</b>	(181,373)
<b>Profit for the year</b>		<b>584,292</b>	729,881
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>599,593</b>	737,241
Non-controlling interests	13	<b>(15,301)</b>	(7,360)
<b>Profit for the year</b>		<b>584,292</b>	729,881
<b>Earnings per share</b>	9		
Basic (RMB)		<b>0.49</b>	0.62
Diluted (RMB)		<b>0.47</b>	0.59

The notes on pages 137 to 239 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Profit for the year</b>		<b>584,292</b>	729,881
<b>Other comprehensive income for the year</b>			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		<b>(10,746)</b>	5,108
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland China		<b>39,880</b>	6,415
<b>Other comprehensive income for the year</b>		<b>29,134</b>	11,523
<b>Total comprehensive income for the year</b>		<b>613,426</b>	741,404
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>613,283</b>	742,474
Non-controlling interests	13	<b>143</b>	(1,070)
<b>Total comprehensive income for the year</b>		<b>613,426</b>	741,404

The notes on pages 137 to 239 form part of these financial statements.

# Consolidated Statement of Financial Position

	Note	As at 31 December	
		2025	2024
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>2,507,834</b>	2,398,082
Right-of-use assets	11	<b>243,215</b>	243,646
Intangible assets	12	<b>76,401</b>	53,710
Interests in associates	14	<b>63,647</b>	64,870
Interests in joint ventures	15	<b>437</b>	7
Financial assets measured at fair value through profit or loss ("FVPL")	32(e)	<b>15,213</b>	13,313
Deferred tax assets	26(b)	<b>38,826</b>	22,318
Other non-current assets	16	<b>54,547</b>	33,101
Goodwill	17	<b>145,089</b>	—
		<b>3,145,209</b>	2,829,047
<b>Current assets</b>			
Inventories	18	<b>730,415</b>	797,243
Contract assets	19(a)	<b>1,618,414</b>	938,869
Trade and other receivables	20	<b>1,345,521</b>	1,347,940
Financial assets measured at fair value through profit or loss ("FVPL")	32(e)	<b>152,200</b>	396,598
Restricted cash	21	<b>1,643</b>	3,188
Cash and bank deposits	21	<b>3,132,067</b>	2,595,448
Non-current assets due within one year	22	<b>1,350</b>	—
		<b>6,981,610</b>	6,079,286
<b>Current liabilities</b>			
Trade and other payables	23	<b>2,074,713</b>	1,646,583
Contract liabilities	19(b)	<b>1,221,152</b>	1,476,247
Financial liabilities measured at fair value through profit or loss ("FVPL")	32(e)	<b>—</b>	557
Interest-bearing borrowings	24	<b>331,577</b>	87,906
Lease liabilities	25	<b>41,146</b>	27,233
Current taxation	26(a)	<b>109,316</b>	108,931
Provisions	27	<b>34,514</b>	30,386
		<b>3,812,418</b>	3,377,843
<b>Net current assets</b>		<b>3,169,192</b>	2,701,443
<b>Total assets less current liabilities</b>		<b>6,314,401</b>	5,530,490

The notes on pages 137 to 239 form part of these financial statements.

## Consolidated Statement of Financial Position

	Note	As at 31 December	
		2025	2024
		RMB'000	RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	24	—	126,279
Lease liabilities	25	43,549	54,376
Deferred tax liabilities	26(b)	29,351	28,001
Deferred income	28	46,926	45,978
Other non-current liabilities	29	336,184	—
		<b>456,010</b>	254,634
<b>Net assets</b>			
		<b>5,858,391</b>	5,275,856
<b>Capital and reserves</b>			
	31		
Share capital		1,456,635	1,351,129
Reserves		4,142,682	3,697,230
Total equity attributable to equity shareholders of the Company			
		<b>5,599,317</b>	5,048,359
Non-controlling interests			
	13	<b>259,074</b>	227,497
<b>Total equity</b>			
		<b>5,858,391</b>	5,275,856

Approved and authorised for issue by the board of directors on 23 March 2026.

**Weihua Tang**

**Ye Sheng**

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) *Directors*  
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The notes on pages 137 to 239 form part of these financial statements.

# Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the Company							Non-		
	Note	Share	Treasury	Capital	Other	Exchange	Retained	Total	controlling	Total equity
		capital	stock	reserve	reserve	reserve	earnings	equity	interest	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31(b)	Note 31(b)	Note 31(f)	Note 31(g)	Note 31(c)	Note 31(d)				
<b>Balance at 31 December 2024 and 1 January 2025</b>		<b>1,351,129</b>	<b>(78,702)</b>	<b>666,577</b>	<b>8,837</b>	<b>26,598</b>	<b>3,073,920</b>	<b>5,048,359</b>	<b>227,497</b>	<b>5,275,856</b>
Profit for the year		—	—	—	—	—	599,593	599,593	(15,301)	584,292
Other comprehensive income for the year		—	—	—	—	13,690	—	13,690	15,444	29,134
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,690</b>	<b>599,593</b>	<b>613,283</b>	<b>143</b>	<b>613,426</b>
Profit distribution	31(e)	—	—	—	—	—	(170,474)	(170,474)	—	(170,474)
Initial recognition on the acquisition of a foreign subsidiary		—	—	—	—	1,912	—	1,912	—	1,912
Investment from non-controlling shareholder	13(c)	—	—	—	—	—	—	—	31,434	31,434
Equity settled share-based payment	30	—	—	64,920	—	—	—	64,920	—	64,920
Issuance and repurchase of ordinary shares to the Company	31(b)(i)	2	(2)	—	—	—	—	—	—	—
Cancellation of ordinary shares to the Company	31(b)(ii)	(7,685)	7,685	—	—	—	—	—	—	—
Exercise of share option and RSUs	31(b)(iii)	113,189	41,024	(112,896)	—	—	—	41,317	—	41,317
<b>Balance at 31 December 2025</b>		<b>1,456,635</b>	<b>(29,995)</b>	<b>618,601</b>	<b>8,837</b>	<b>42,200</b>	<b>3,503,039</b>	<b>5,599,317</b>	<b>259,074</b>	<b>5,858,391</b>

The notes on pages 137 to 239 form part of these financial statements.

## Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the Company								Non-controlling interest	Total equity
	Share capital	Treasury stock	Capital reserve	Other reserve	Exchange reserve	Retained earnings	Total equity			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
	Note 31(b)	Note 31(b)	Note 31(f)	Note 31(g)	Note 31(c)	Note 31(d)				
<b>Balance at 31 December 2023 and 1 January 2024</b>	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	
<b>Total comprehensive income for the year</b>	—	—	—	—	5,233	737,241	742,474	(1,070)	741,404	
Profit distribution	31(e)	—	—	—	—	(110,810)	(110,810)	—	(110,810)	
Acquisition of a subsidiary	13	—	—	—	—	—	—	55,176	55,176	
Investment from non-controlling shareholder	13(c)	—	—	—	—	—	—	183,411	183,411	
Purchase of minority shares	13	—	—	(11,417)	—	—	(11,417)	(18,138)	(29,555)	
Equity settled share-based payment	30	—	—	60,840	—	—	60,840	—	60,840	
Issuance and repurchase of ordinary shares to the Company	31(b)(i)	32,074	(32,074)	—	—	—	—	—	—	
Repurchase of ordinary shares to the Company	31(b)(ii)	—	(15,220)	—	—	—	(15,220)	—	(15,220)	
Cancellation of ordinary shares to the Company	31(b)(ii)	(7,535)	7,535	—	—	—	—	—	—	
Exercise of share option	31(b)(iii)	23,839	1	(23,839)	—	—	1	—	1	
<b>Balance at 31 December 2024</b>	1,351,129	(78,702)	666,577	8,837	26,598	3,073,920	5,048,359	227,497	5,275,856	

The notes on pages 137 to 239 form part of these financial statements.

# Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Operating activities:</b>			
Cash generated from operations		<b>578,292</b>	1,326,941
Income tax paid	26(a)	<b>(152,919)</b>	(174,450)
<b>Net cash generated from operating activities</b>	21(b)	<b>425,373</b>	1,152,491
<b>Investing activities:</b>			
Payment for the purchase of long-term assets		<b>(347,087)</b>	(430,704)
Cash paid for acquisition of investment	32(e)(i)	—	(2,413)
Payment for the equity method investments	15	<b>(530)</b>	(7)
Net cash received/(paid) for the purchase or sales of monetary fund		<b>255,727</b>	(326,944)
Increase in deposits with original maturity of over three months when acquired, net		<b>(59,872)</b>	(170,684)
Asset acquisition through acquisition of a subsidiary	13(b)	—	(17,534)
Net cash (paid)/received from acquisition of subsidiary	13(a)/21(e)	<b>(184,432)</b>	121,563
Proceeds from sale of long-term assets		<b>440</b>	1,015
Interest received		<b>74,673</b>	59,987
<b>Net cash used in investing activities</b>		<b>(261,081)</b>	(765,721)
<b>Financing activities:</b>			
Capital element of lease rentals paid	21(c)	<b>(36,738)</b>	(12,943)
Payment for minority shares	13(a)	—	(29,555)
Proceeds from bank loans	21(c)	<b>560,119</b>	17,622
Repayment of bank loans	21(c)	<b>(444,383)</b>	(165,132)
Proceeds from investors	21(c)	<b>330,000</b>	—
Proceeds from exercise of share options and RSUs	31(b)(iii)	<b>41,317</b>	1
Repurchase of ordinary shares	31(b)(ii)	—	(15,220)
Cash received from non-controlling shareholder	13(c)	<b>31,434</b>	183,411
Interest element of lease rentals paid	21(c)	<b>(3,627)</b>	(1,948)
Interest paid	21(c)	<b>(6,812)</b>	(9,482)
Cash paid for profit distribution	31(e)	<b>(170,474)</b>	(110,810)
<b>Net cash generated from/(used in) financing activities</b>		<b>300,836</b>	(144,056)
Effect of foreign exchange rate changes on cash and cash equivalents		<b>11,619</b>	13,368

The notes on pages 137 to 239 form part of these financial statements.

## Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Net increase in cash and cash equivalents		<b>476,747</b>	256,082
Cash and cash equivalents at 1 January		<b>2,424,764</b>	2,168,682
Cash and cash equivalents at 31 December		<b>2,901,511</b>	2,424,764
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	21	<b>1,547,970</b>	1,477,549
Deposits with original maturity of less than three months when acquired	21	<b>1,353,541</b>	947,215
<b>Cash and cash equivalents as stated in the Statement of Cash Flows</b>		<b>2,901,511</b>	2,424,764

The notes on pages 137 to 239 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 HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), 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 new or amended HKFRS Accounting Standards 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 2025 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 that 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(g)(ii));
- Monetary fund (Note 1(g)(i)); and
- Forward exchange contracts (Note 1(h)).

The preparation of financial statements in conformity with HKFRS Accounting Standards 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.

## Notes to the Consolidated Financial Statements

### 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 HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

#### (c) Changes in accounting policies

##### (i) New and amended HKFRSs

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (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(r) or(s) depending on the nature of the liability.

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

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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(l)), 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(l) (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(l)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

#### (f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 1(l)).

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (g) Other investments in 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 32(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(w)(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(w)(ii)(b)).

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (h) 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.

#### (i) 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(l)(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(k)).

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.

## Notes to the Consolidated Financial Statements

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (i) 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(l)(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.

#### (j) 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(l)(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.

## 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (k) 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.

#### (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(i) and 1(l)(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(i)).

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(g)(i), 1(w)(ii)(c) and 1(l)(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.

## Notes to the Consolidated Financial Statements

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (k) Leased assets (Continued)

##### (i) As a lessee (Continued)

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.

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(w)(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(k)(i), then the Group classifies the sub-lease as an operating lease.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (I) 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(n)); and
- lease receivables.

##### **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.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (I) Credit losses and impairment of assets (Continued)

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

###### **Measurement of ECLs (Continued)**

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.

###### **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.

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (I) Credit losses and impairment of assets *(Continued)*

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

###### ***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.

###### ***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.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (I) Credit losses and impairment of assets (Continued)

##### (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.

##### (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(I)(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.

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (m) 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(m)(i)), property, plant and equipment (see Note 1(i)) or intangible assets (see Note 1(j)).

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.

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(w)(i)).

#### (n) Contract assets and contract liabilities

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

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 1(w)(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(o)).

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (o) 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(l)(i)).

#### (p) 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(l)(i)).

#### (q) 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.

#### (r) Trade and other payables (other than refund liabilities)

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.

#### (s) Interest-bearing borrowings and redemption liabilities

##### (i) 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(y).

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (s) Interest-bearing borrowings and redemption liabilities *(Continued)*

##### (ii) Redemption liabilities

Certain investors of a subsidiary of the Group were granted with the right to require the Group to redeem their paid-in capital of the subsidiary for cash upon occurrence of certain events which are not all within the control of the Group. On initial recognition, when the financial liabilities in connection with the redemption rights (see Note 29) are recognised in the consolidated statement of financial position, the interests of the non-controlling shareholders with redemption rights are derecognised as if the redemption rights had been exercised. The profit or loss attributable to those non-controlling shareholders are presented as attributable to the equity shareholders of the Company on the face of the consolidated statement of profit or loss and other comprehensive income.

Redemption liabilities are classified as non-current liabilities or current liabilities depending on whether the investors can demand the Company to redeem the investment for cash at least 12 months after the end of the reporting period or not.

The Group derecognizes the financial liability when, and only when, the Group's obligations are discharged, canceled or have expired. Upon a termination of the redemption obligation, the carrying amount of the financial instruments derecognized would be credited into the equity.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (t) 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.

#### (u) 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)*

#### (u) 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.

#### (v) Provisions and 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(l)(ii)).

## Notes to the Consolidated Financial Statements

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (v) Provisions and contingent liabilities *(Continued)*

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.

#### (w) 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.

##### (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.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (w) Revenue and other income (Continued)

##### (i) Revenue from contracts with customers (Continued)

###### (a) Sales of pressure equipment and related services (Continued)

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 Group 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(n)), 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(o)).

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.

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(n)). It is assessed for impairment in accordance with HKFRS 9 (see Note 1(l)(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.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (w) Revenue and other income (Continued)

##### (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.

###### (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.

### 1 MATERIAL ACCOUNTING POLICIES (Continued)

#### (x) 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.

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.

#### (y) 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.

## Notes to the Consolidated Financial Statements

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 1 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (aa) 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.

#### (bb) 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) Sources of estimation uncertainty

Notes 17, 30 and 32 contain information about the assumptions and their risk factors relating to valuation of goodwill impairment, 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(w)(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 19 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.

## Notes to the Consolidated Financial Statements

### 2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

#### (a) Sources of estimation uncertainty (Continued)

##### (ii) Warranty provisions

As explained in Note 27, 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	
	2025 RMB'000	2024 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— core equipment	<b>2,272,126</b>	2,525,033
— reactor	<b>788,068</b>	1,196,707
— heat exchanger	<b>340,063</b>	587,054
— tank	<b>640,313</b>	208,828
— tower	<b>503,682</b>	532,444
— modular pressure equipment	<b>4,393,387</b>	4,244,422
— others*	<b>38,655</b>	32,768
<b>Sales of products</b>	<b>6,704,168</b>	6,802,223
— Pressure equipment design, validation, and maintenance service	<b>250,764</b>	146,131
<b>Service</b>	<b>250,764</b>	146,131
<b>Revenue of operations</b>	<b>6,954,932</b>	6,948,354

\* 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	
	2025	2024
	RMB'000	RMB'000
Point in time	<b>1,858,486</b>	3,515,626
Over time	<b>5,096,446</b>	3,432,728
Total	<b>6,954,932</b>	6,948,354

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues of the year ended 31 December 2025 (2024: Nil). Revenues from this customer during year ended 31 December 2025 are set out below:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Customer A	<b>995,039</b>	*

\* 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 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB8,572,421,000 (as at 31 December 2024: RMB7,112,204,000). 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.

## Notes to the Consolidated Financial Statements

### 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	
	2025	2024
	RMB'000	RMB'000
Mainland China	<b>1,589,405</b>	2,750,519
North America	<b>1,221,927</b>	1,383,524
Asia (excluding mainland China)	<b>3,102,022</b>	2,023,164
Europe	<b>624,522</b>	335,153
Africa	<b>69,607</b>	100,155
Others (Note)	<b>347,449</b>	355,839
	<b>6,954,932</b>	6,948,354

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	
	2025	2024
	RMB'000	RMB'000
Government grants (i)	11,631	24,743
Interest income	74,673	59,987
Net realised gains on monetary fund	9,130	9,894
Net realised gains on forward exchange contracts	2,402	172
Net foreign exchange (losses)/gains	(20,586)	25,313
Changes in fair value of financial assets and liabilities	4,043	854
Net loss on disposal of property, plant and equipment	(2,080)	(553)
Relocation allowance (ii)	65,924	—
Others	8,043	(3,004)
	<b>153,180</b>	<b>117,406</b>

- (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.
- (ii) The relocation allowance compensates for the relocation of leased property from Shanghai Morimatsu Chemical Equipment Co., Ltd..

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
<b>(a) Finance costs:</b>		
Interest on interest-bearing borrowings	6,647	8,500
Interest on other non-current liabilities	6,184	—
Interest on lease liabilities	3,627	1,948
	<b>16,458</b>	<b>10,448</b>
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	1,224,427	1,063,233
Equity-settled share-based payment expenses (Note 30)	64,920	60,840
Contributions to defined contribution retirement plans (i)	132,490	120,495
	<b>1,421,837</b>	<b>1,244,568</b>

## Notes to the Consolidated Financial Statements

### 5 PROFIT BEFORE TAXATION (Continued)

#### Profit before taxation is arrived at after charging: (Continued)

- (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.

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
<b>(c) Other items:</b>		
Amortisation of intangible assets	<b>25,114</b>	21,301
Depreciation charge		
— owned property, plant and equipment	<b>172,025</b>	153,237
— right-of-use assets	<b>40,563</b>	20,248
Auditor's remuneration		
— audit services	<b>4,200</b>	4,200
— non-audit services	<b>847</b>	20
Research and development costs (i)	<b>310,386</b>	399,241
Increase in provisions (Note 27)	<b>16,563</b>	13,120
Cost of inventories (ii)	<b>5,138,349</b>	4,898,577
Expense relating to short-term leases	<b>25,345</b>	51,576

- (i) Research and development costs included staff costs of RMB113,159,000 (2024: RMB207,766,000), depreciation and amortisation expenses of RMB9,126,000 (2024: RMB9,708,000), 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 RMB836,627,000 (2024: RMB705,675,000), depreciation and amortisation expenses of RMB152,296,000 (2024: RMB147,663,000), 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	
	2025	2024
	RMB'000	RMB'000
<b>Current tax:</b>		
Provision for the year	<b>124,698</b>	168,301
Withholding tax on the profits of the Group's PRC subsidiaries (Note26(a))	<b>28,000</b>	14,921
Under-provision in respect of prior year	<b>606</b>	10,070
	<b>153,304</b>	193,292
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<b>(15,550)</b>	(29,344)
Withholding tax on the profits of the Group's PRC subsidiaries (Note26(b))	<b>(5,000)</b>	13,079
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note26(b))	<b>—</b>	4,346
	<b>(20,550)</b>	(11,919)
Actual tax expense	<b>132,754</b>	181,373

## Notes to the Consolidated Financial Statements

### 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:

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Profit before taxation		<b>717,046</b>	911,254
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(i)(ii)	<b>108,073</b>	141,218
Additional deduction for qualified research and development expenses	(i)(iii)	<b>(21,941)</b>	(23,683)
Under-provision in respect of prior year		<b>606</b>	10,070
Non-deductible expenses		<b>8,244</b>	13,760
Non-deductible income		<b>(4,933)</b>	(3,554)
Tax effect of unrecognised loss	(v)	<b>14,416</b>	8,935
Tax effect of unrecognised temporary difference		<b>5,289</b>	2,281
Withholding tax on the profits of the Group's PRC subsidiaries	(iv)	<b>23,000</b>	28,000
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note26(b))		—	4,346
<b>Actual tax expense</b>		<b>132,754</b>	181,373

(i) PRC corporate income tax

The income tax provision of the Group in respect of its operations in Chinese Mainland was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof, except for the subsidiaries below. Certain subsidiaries of the Group in the Chinese Mainland were subject to the following preferential corporate income tax policies for years ended December 31, 2024 and 2025:

— Certain subsidiaries of the Group in the Chinese Mainland were approved as "High and New Technology Enterprises", and it was subject to a preferential corporate income tax rate of 15%;

— Certain subsidiaries of the Group in the Chinese Mainland fulfil the micro and small enterprises qualification under the PRC corporate income tax system. Therefore, partial assessable profits of these subsidiaries were subject to the preferential income tax rate of 5%.

## 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:

Country and region	Company	Year ended 31 December	
		2025	2024
Hong Kong Special Administrative Region of PRC ("Hong Kong")	Morimatsu International Holdings Company Limited (*)	16.5%	16.5%
	Morimatsu Investment Company Limited (*) (**)	N/A	16.5%
	Morimatsu International Investment Company Limited (*)	16.5%	16.5%
Kingdom of Sweden ("Sweden")	Pharmadule Morimatsu AB	20.6%	20.6%
	United States of America ("the United States")	Pharmadule Morimatsu Inc. (****)	21.0%
Republic of India ("India")	Morimatsu Houston Corporation (****)	21.0%	21.0%
	Bioengineering Inc. (***) (****)	21.0%	N/A
	Pharmadule Engineering India Private Limited	25.17%	25.17%
Federation of Malaysia ("Malaysia")	Morimatsu Engineering and Technology (India) Co., Private Limited (*) (***)	25.17%	N/A
	Morimatsu Dialog (Malaysia) SDN. BHD. (*)	24.0%	24.0%
Japan	Morimatsu Engineering & Technology (Malaysia) SDN. BHD. (*) (***)	24.0%	N/A
	Pharmadule Technology and Service Company Limited (previous name: Morimatsu Technology and Service Company Limited)	33.58%	33.58%
Republic of Italy ("Italy")	Morimatsu Technology and Service Company Limited	33.58%	33.58%
	Morimatsu Italy S.R.L.	24.0%	24.0%
United Mexican States ("Mexico")	Morimatsu Engineering & Technology (Italy) S.R.L. (*) (***)	24.0%	N/A
	Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd.	30.0%	30.0%
Republic of Singapore ("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%
The Kingdom of Thailand ("Thailand")	Morimatsu (Thailand) Co., Ltd. (*) (***)	20.0%	N/A
Swiss Confederation ("Switzerland")	Bioengineering AG (***)	20.0%	N/A
Republic of Korea ("South Korea")	Bioengineering Korea Ltd. (***)	19.0%	N/A

\* No provision for income tax was made for these companies as these companies did not have income subject to corporate income tax during the year ended 31 December 2025 and 2024 respectively.

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

\*\*\* The company was not registered or acquired during the year ended 31 December 2024.

\*\*\*\* 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%	2025 and 2024
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. ("Morimatsu Pharmaceutical") (上海森松製藥設備工程有限公司)*	15%	2025 and 2024
Shanghai Morimatsu Biotechnology Co., Ltd. ("Morimatsu Biotechnology") (上海森松生物科技有限公司)*	15%	2025 and 2024
Shanghai Morimatsu Engineering Technology Co., Ltd. ("Morimatsu Engineering Technology") (上海森松工程技術有限公司)*	15%	2025 and 2024
Morimatsu (Suzhou) LifeSciences Co., Ltd. ("Morimatsu LifeSciences") (森松(蘇州)生命科技有限公司)*	15%	2025 and 2024

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

(iii) Under the Corporate Income Tax Law of the PRC (the "CIT Law") 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 2025 and 2024.

## 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) 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)).

Pursuant to the shareholders' resolution on 18 July 2025 and 10 December 2025, Morimatsu (China) Investment Co., Ltd. decided dividends of RMB230,000,000 would be distributed to Morimatsu International Holdings Company Limited in the future periods. Accordingly, Morimatsu International Holdings Company Limited accrued deferred tax liabilities of RMB23,000,000 based on 10% PRC withholding tax rate.

- (v) Under the 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 Shanghai Morimatsu Engineering Technology Co., Ltd., who are still at start-up stages.

### (c) Pillar Two income taxes

The Company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("**Pillar Two Model Rules**") published by the Organisation for Economic Co-operation and Development.

From 1 January 2024, the Group's earnings in Sweden and Italy is subject to the domestic minimum top-up tax that was introduced by Sweden and Italy with effect from 1 January 2024.

From 1 January 2025, the Group is also liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in the Hong Kong SAR and certain other jurisdictions where a domestic minimum top-up tax has not been implemented, including the Chinese Mainland.

The Group's estimated effective tax rates of the majority of the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under Pillar Two Model Rules. Based on its best estimate, the management of the Group considered the top-up tax under the Pillar Two Model Rules for the year ended 31 December 2025 borne by Group is insignificant.

## Notes to the Consolidated Financial Statements

### 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 2025

	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 30	Total RMB'000
<b>Executive directors</b>							
Mr. Koei Nishimatsu	158	4,931	427	—	5,516	15,019	20,535
Mr. Weihua Tang	158	1,906	799	71	2,934	9,848	12,782
Mr. Ye Sheng	158	1,891	2,336	71	4,456	1,171	5,627
Mr. Hirotaka Kawashima	158	1,400	239	—	1,797	585	2,382
Mr. Jungo Hirazawa	158	850	109	—	1,117	503	1,620
<b>Non-executive director</b>							
Mr. Terumoto Matsuhisa	179	—	—	—	179	2,484	2,663
<b>Independent directors</b>							
Ms. Chan Yuen Sau Kelly	179	—	—	—	179	—	179
Mr. Kanno Shinichiro	179	—	—	—	179	—	179
Mr. Yu Jianguo	179	—	—	—	179	—	179
	<b>1,506</b>	<b>10,978</b>	<b>3,910</b>	<b>142</b>	<b>16,536</b>	<b>29,610</b>	<b>46,146</b>

**7 DIRECTORS' REMUNERATION (Continued)****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 30	Total RMB'000
<b>Executive directors</b>							
Mr. Koei Nishimatsu	151	4,931	427	—	5,509	6,550	12,059
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. Hirotaka Kawashima	151	1,243	239	—	1,633	1,115	2,748
Mr. Jungo Hirazawa	151	872	112	—	1,135	957	2,092
<b>Non-executive director</b>							
Mr. Terumoto Matsuhisa	175	—	—	—	175	4,733	4,908
<b>Independent directors</b>							
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

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 2025 and 2024, 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. Mr. Kanno Shinichiro passed away on 24 December 2025 and his directorship was terminated with immediate effect.

## Notes to the Consolidated Financial Statements

### 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the years ended 31 December 2025, three are directors (2024: three) whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining two individuals during 2025 (2024: two) are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	2,135	2,531
Discretionary bonuses	2,295	3,192
Share-based payments (Note 30)	6,925	4,027
Retirement scheme contributions	142	141
	<b>11,497</b>	9,891

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	
	2025	2024
HKD4,000,001–HKD4,500,000	1	1
HKD4,500,001–HKD5,000,000	—	—
HKD5,000,001–HKD5,500,000	—	—
HKD5,500,001–HKD6,000,000	—	—
HKD6,000,001–HKD6,500,000	—	1
HKD6,500,001–HKD7,000,000	—	—
HKD7,000,001–HKD7,500,000	—	—
HKD7,500,001–HKD8,000,000	—	—
HKD8,000,001–HKD8,500,000	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 RMB599,593,000 (2024: RMB737,241,000) and the weighted average of 1,220,188,000 ordinary shares (2024: 1,190,522,000 shares) in issue during the year, calculated as follows:

#### Weighted average number of ordinary shares

	2025	2024
Issued ordinary shares at 1 January	<b>1,221,583,000</b>	1,190,092,000
Effect of treasury shares at 1 January	<b>(64,566,000)</b>	(39,816,000)
Effect of shares repurchase and cancelled (Note 31(b)(ii))	—	(1,443,000)
Effect of exercise of share options (Note 31(b)(iii))	<b>13,813,000</b>	6,034,000
Effect of exercised RSUs (Note 31(b)(iii))	<b>5,942,000</b>	—
Effect of vested shares options exercisable for no more than little consideration (Note (i) below)	<b>43,416,000</b>	35,655,000
<b>Weighted average number of ordinary shares at 31 December</b>	<b>1,220,188,000</b>	1,190,522,000

Note (i): The vested share options exercisable for no more than little consideration were included in the calculation of weighted average number of ordinary shares 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 RMB599,593,000 (2024: RMB737,241,000) and the weighted average number of ordinary shares of 1,263,427,000 shares (2024: 1,250,235,000 shares), calculated as follows:

#### Weighted average number of ordinary shares (diluted)

	2025	2024
Weighted average number of ordinary shares at 31 December	<b>1,220,188,000</b>	1,190,522,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and RSU Scheme (Note 30)	<b>43,239,000</b>	59,713,000
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>1,263,427,000</b>	1,250,235,000

## Notes to the Consolidated Financial Statements

### 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
<b>Cost or valuation:</b>						
At 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 and 1 January 2025	<b>2,146,502</b>	<b>566,907</b>	<b>186,420</b>	<b>40,704</b>	<b>295,140</b>	<b>3,235,673</b>
Additions	<b>42</b>	<b>12,024</b>	<b>11,995</b>	<b>2,607</b>	<b>233,808</b>	<b>260,476</b>
Effect of acquisition of the Bioengineering Group	—	<b>4,428</b>	<b>7,633</b>	<b>1,383</b>	—	<b>13,444</b>
Transfer from construction in progress	<b>459,033</b>	<b>29,331</b>	<b>5,297</b>	<b>946</b>	<b>(494,607)</b>	—
Disposals	<b>(90)</b>	<b>(7,907)</b>	<b>(5,928)</b>	<b>(293)</b>	<b>(41)</b>	<b>(14,259)</b>
Foreign exchange gain	—	<b>260</b>	<b>579</b>	<b>93</b>	<b>18,151</b>	<b>19,083</b>
At 31 December 2025	<b>2,605,487</b>	<b>605,043</b>	<b>205,996</b>	<b>45,440</b>	<b>52,451</b>	<b>3,514,417</b>
<b>Accumulated depreciation:</b>						
At 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 and 1 January 2025	<b>(451,334)</b>	<b>(244,080)</b>	<b>(118,484)</b>	<b>(23,693)</b>	—	<b>(837,591)</b>
Charge for the year	<b>(99,516)</b>	<b>(40,879)</b>	<b>(26,048)</b>	<b>(5,582)</b>	—	<b>(172,025)</b>
Effect of acquisition of the Bioengineering Group	—	<b>(1,657)</b>	<b>(6,048)</b>	<b>(885)</b>	—	<b>(8,590)</b>
Written back on disposal	<b>44</b>	<b>6,178</b>	<b>5,252</b>	<b>265</b>	—	<b>11,739</b>
Foreign exchange loss	—	<b>21</b>	<b>(117)</b>	<b>(20)</b>	—	<b>(116)</b>
At 31 December 2025	<b>(550,806)</b>	<b>(280,417)</b>	<b>(145,445)</b>	<b>(29,915)</b>	—	<b>(1,006,583)</b>
<b>Net book Value:</b>						
At 31 December 2025	<b>2,054,681</b>	<b>324,626</b>	<b>60,551</b>	<b>15,525</b>	<b>52,451</b>	<b>2,507,834</b>
At 31 December 2024	1,695,168	322,827	67,936	17,011	295,140	2,398,082

**11 RIGHT-OF-USE ASSETS**

	<b>Land use right</b> RMB'000	<b>Leasehold plant and buildings</b> RMB'000	<b>Machinery and equipment</b> RMB'000	<b>Total</b> RMB'000
Balance at 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 and 1 January 2025	173,707	68,800	1,139	243,646
Additions	—	26,150	558	26,708
Effect of acquisition of the Bioengineering Group	—	12,804	—	12,804
Termination	—	(31)	(79)	(110)
Depreciation charge for the year	(9,895)	(30,232)	(436)	(40,563)
Foreign exchange gain/(loss)	549	183	(2)	730
Balance at 31 December 2025	<b>164,361</b>	<b>77,674</b>	<b>1,180</b>	<b>243,215</b>

The Group has obtained land use rights held for own use in Mainland China with remaining lease term of 30 to 50 years.

## Notes to the Consolidated Financial Statements

### 12 INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost:</b>				
At 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 and 1 January 2025	<b>82,632</b>	<b>26,517</b>	<b>—</b>	<b>109,149</b>
Additions	<b>14,574</b>	<b>4,528</b>	<b>631</b>	<b>19,733</b>
Effect of acquisition of the Bioengineering Group	<b>10,871</b>	<b>17,915</b>	<b>—</b>	<b>28,786</b>
Transfer from construction in progress	<b>83</b>	<b>—</b>	<b>(83)</b>	<b>—</b>
Disposals	<b>(11,829)</b>	<b>—</b>	<b>—</b>	<b>(11,829)</b>
At 31 December 2025	<b>96,331</b>	<b>48,960</b>	<b>548</b>	<b>145,839</b>
<b>Accumulated amortisation:</b>				
At 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 and 1 January 2025	<b>(51,462)</b>	<b>(3,977)</b>	<b>—</b>	<b>(55,439)</b>
Charge for the year	<b>(19,590)</b>	<b>(5,524)</b>	<b>—</b>	<b>(25,114)</b>
Effect of acquisition of the Bioengineering Group	<b>(714)</b>	<b>—</b>	<b>—</b>	<b>(714)</b>
Written back on disposal	<b>11,829</b>	<b>—</b>	<b>—</b>	<b>11,829</b>
At 31 December 2025	<b>(59,937)</b>	<b>(9,501)</b>	<b>—</b>	<b>(69,438)</b>
<b>Net book value:</b>				
At 31 December 2025	<b>36,394</b>	<b>39,459</b>	<b>548</b>	<b>76,401</b>
At 31 December 2024	31,170	22,540	—	53,710

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	—	73.99%	Purchase of materials and design of pressure equipment.
Pharmadule Morimatsu AB ("Pharmadule Sweden")	Sweden 3 March 2011	SEK2,000,000/ SEK2,000,000	—	73.99%	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") (上海森松製藥設備工程有限公司) (i) (iv)	The PRC 29 November 2001	RMB99,255,819/ RMB87,596,276	17.44%	56.55%	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	—	73.99%	Sales center, after-sales service center and purchasing center of LifeSciences segment 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	—	73.99%	Sales activities for the Group's products in Japan.
Morimatsu Italy S.R.L. ("Morimatsu Italy")	Italy 26 November 2020	EUR200,000/ EUR200,000	—	73.99%	Sales activities for the Group's products in Italy.

## Notes to the Consolidated Financial Statements

### 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	RMB847,779,572/ RMB847,779,572	—	73.99%	Designing and engineering of modular manufacturing facilities for the pharmaceutical and biopharmaceutical industries.
Shanghai Morimatsu Engineering Technology Co., Ltd. ("Morimatsu Engineering Technology") (上海森松工程技術有限公司) (i) (iii) (iv)	The PRC 19 November 2021	RMB60,000,000/ RMB60,000,000	—	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	—	73.99%	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	—	73.99%	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	SGD3,000,000/ SGD3,000,000	—	73.99%	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	RMB40,000,000/ 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/ RMB4,300,000	—	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. (" <b>Morimatsu Lifesciences Singapore</b> ")	Singapore 22 December 2023	USD300,000/ USD300,000	—	73.99%	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. (" <b>Morimatsu Dialog</b> ")	Malaysia 1 January 2024	MYR341,300,000/ MYR341,300,000	51%	—	Production and sales of pressure equipment.
Morimatsu International Investment Company Limited (" <b>MII</b> ")	Hong Kong 25 March 2024	HKD210,000/ HKD210,000	100%	—	Investment holding.
Shandong Keda Chemical Engineering Design Co., Ltd. (" <b>Shandong Keda</b> ") (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.
Morimatsu Engineering & Technology (Malaysia) SDN. BHD. (" <b>MET Malaysia</b> ")	Malaysia 27 January 2025	MYR3,000,000/ MYR3,000,000	—	100%	Technology hubs and engineering services centers for the Group's energy materials segment in Southeast Asia.
Shanghai MoriSora Technology Co., Ltd. (" <b>MoriSora Technology</b> ") (上海森絨科技有限公司) (i) (iv)	The PRC 13 February 2025	RMB12,000,000/ RMB3,600,000	—	73.99%	Research and development, production and sales of drying equipment, cleaning equipment, sterilization equipment and conveyor systems.
Morimatsu (Thailand) Co., Ltd. (" <b>Morimatsu Thailand</b> ")	Thailand 30 April 2025	THB2,000,000/ THB2,000,000	—	51.79%	Sales activities for the Group's products in Thailand.
Morimatsu Engineering & Technology (Italy) S.R.L. (" <b>MET Italy</b> ")	Italy 8 August 2025	EUR4,500/ Nil	—	100%	Sales activities for the Group's products in Italy.
Morimatsu (Jiangsu) Technology & Trade Co., Ltd. (" <b>Morimatsu Technology and Trade</b> ") (森松(江蘇)科技商貿有限公司) (i) (iii) (iv)	The PRC 29 August 2025	RMB10,000,000/ RMB10,000,000	—	100%	Import and export of machinery and equipment, special equipment, specialized production equipment and spare parts for the oil refining/chemical/new energy industries, metal materials, and structural components.

## Notes to the Consolidated Financial Statements

### 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	
Bioengineering AG	Switzerland 10 September 2025	CHF7,000,000/ CHF7,000,000	—	100%	Sales activities for the Group's products in Switzerland.
Bioengineering Korea Ltd.	South Korea 10 September 2025	KRW100,000,000/ KRW100,000,000	—	100%	Sales activities for the Group's products in South Korea.
Bioengineering Inc.	USA 10 September 2025	USD1,951,183.15/ USD1,951,183.15	—	100%	Sales activities for the Group's products in USA.
Bioengineering Trading (Shanghai) Co., Ltd. (拜通圓國際貿易(上海)有限公司) (i) (iii) (iv)	The PRC 10 September 2025	USD200,000/ USD200,000	—	100%	Sales activities for the Group's products in the PRC.
Shanghai Morimatsu Fluorotech Innovation Co., Ltd. ("MFT") (上海森松氟創科技有限公司) (i) (iv)	The PRC 10 October 2025	RMB2,000,000/ RMB410,000	—	66%	Manufacturing and sales of linings for metal storage tanks and metal piping, and the processing and sales of polytetrafluoroethylene (PTFE) gaskets.
Morimatsu Engineering and Technology (India) Co., Private Limited ("MET India")	India 21 November 2025	INR100,000/ Nil	—	100%	Vital technical service hub and market development center for the Group's energy materials segment in India.

(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.

(v) The direct and indirect effective interest of subsidiaries located in PRC held by the Company disclosed above are calculated based on the registered share capital as recorded in the official registration records of the administration for industrial and commercial.

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

#### (a) Business combinations through acquisition of subsidiaries

##### (i) Acquisition of the Bioengineering Group

On 10 September 2025, MII, a subsidiary of the Company, entered into equity transfer agreements with two independent third parties, pursuant to which, MII agreed to acquire 100% equity interest in Bioengineering AG and its subsidiaries (the “**Bioengineering Group**”), including Bioengineering Korea Ltd., Bioengineering Inc. and Bioengineering Trading (Shanghai) Co., Ltd.. The consideration for this acquisition comprises a cash payment of CHF22,120,000 (equivalent to RMB196,932,000) and the repayment of shareholder loans of CHF820,000 (equivalent to RMB7,345,000) on behalf of Bioengineering AG to its former shareholders. Upon completion of the equity transfer, the Company indirectly holds 100% equity interest in the Bioengineering Group.

The fair values of the identifiable assets and liabilities of the Bioengineering Group as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition RMB'000</b>
Property, plant and equipment	4,854
Right-of-use assets	12,804
Intangible assets	28,072
Deferred tax assets	924
Other non-current assets	2,839
Inventories	49,993
Contract assets	119,126
Trade and other receivables	15,542
Cash and bank deposits	19,845
Non-current assets due within one year	1,819
Trade and other payables	(43,060)
Contract liabilities	(134,232)
Lease liabilities	(13,022)
Deferred tax liabilities	(6,316)
<b>Total identifiable net assets at fair value</b>	<b>59,188</b>
Goodwill on acquisition	145,089
Consideration	204,277

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

#### (a) Business combinations through acquisition of subsidiaries (Continued)

##### (i) Acquisition of the Bioengineering Group (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(204,277)
Cash and bank balances acquired	19,845
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2025	(184,432)
Transaction costs of the acquisition included in cash flows from operating activities in 2025	(2,468)
Total net cash outflow in 2025	(186,900)

##### (ii) Acquisition of Morimatsu Dialog

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 MYR110,670,000 (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 MYR106,330,000 (equivalent to RMB169,136,000) in total.

##### (iii) Acquisition of Mori-Biounion Technology

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.

##### (iv) Acquisition of Morimatsu Biotechnology

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, 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.

**13 INVESTMENTS IN SUBSIDIARIES** (Continued)**(b) Asset acquisition through acquisition of a subsidiary****(i) Acquisition of Shandong Keda**

In March 2024, Morimatsu Engineering Technology, 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:

	<b>RMB'000</b>
Intangible assets	26,517
Inventories	160
Trade and other receivables	2,040
Cash and bank deposits	336
Trade and other payables	(11,183)
<b>Total identifiable net assets at fair value acquired</b>	<b>17,870</b>
Satisfied by:	
Cash consideration	17,870

An analysis of the cash flows in respect of the acquisition are as follows:

	<b>RMB'000</b>
Cash consideration	(17,870)
Cash and bank deposits acquired	336
<b>Net outflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>(17,534)</b>

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

#### (c) Capital injection from NCI

##### (i) Morimatsu Dialog's capital injection from NCI

During the year ended 31 December 2025, the Group and the minority shareholder of Morimatsu Dialog conducted pro rata cash capital injections based on their original ownership ratios (51%/49%). The Group contributed RMB30,518,000, and minority shareholder contributed RMB29,204,000, with a total capital injection of RMB59,722,000. Upon completion, the Group's ownership interest in the subsidiary remained at 51% and control was maintained. This transaction qualifies as an equity transaction and no profit or loss was recognised. The contributions were directly recognised in equity, increasing equity attributable to owners of the parent and non-controlling interests respectively.

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.

	<b>2025</b> <b>RMB'000</b> <b>Morimatsu</b> <b>Dialog</b>	2024 RMB'000 Morimatsu Dialog
NCI percentage	<b>49.00%</b>	49.00%
Current assets	<b>147,028</b>	236,707
Non-current assets	<b>515,772</b>	291,287
Current liabilities	<b>(138,761)</b>	(59,432)
Non-current liabilities	<b>(5,728)</b>	(10,855)
Net assets	<b>518,311</b>	457,707
Carrying amount of NCI	<b>253,972</b>	224,276
Revenue	<b>137,664</b>	104,241
Loss from the year	<b>(30,636)</b>	(12,199)
Total comprehensive income for the year	<b>882</b>	638
Total comprehensive income allocated to NCI	<b>432</b>	313
Cash flows from operating activities	<b>(57,819)</b>	35,036
Cash flows from investing activities	<b>(155,277)</b>	(303,552)
Cash flows from financing activities	<b>59,722</b>	338,453

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

#### (c) Capital injection from NCI (Continued)

##### (ii) MoriSora Technology's capital injection from NCI

On 13 February 2025, the Group and four independent third parties established a new subsidiary, MoriSora Technology. During the year ended 31 December 2025, the Group contributed RMB2,520,000, and minority shareholders contributed RMB1,080,000, with a total capital injection of RMB3,600,000.

##### (iii) Semi-Chem Equipment's capital injection from NCI

During the year ended 31 December 2025, the minority shareholder of Semi-Chem Equipment conducted cash capital injections of RMB1,000,000.

##### (iv) MFT's capital injection from NCI

On 10 October 2025, Morimatsu Hi-Purity, a subsidiary of the Company and an independent third party established a new subsidiary, MFT. During the year ended 31 December 2025, the Company contributed RMB260,000, and minority shareholder contributed RMB150,000, with a total capital injection of RMB410,000.

### 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	RMB662,000,000/ RMB572,000,000	9.06%	9.06%	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

### 14 INTEREST IN ASSOCIATES (Continued)

Jiangsu Qunchuang Wisdom New Material Co., Ltd. (“**Jiangsu Qunchuang**”) was established on 1 July 2022 by Morimatsu Pharmaceutical with two other investors in China. The registered capital of the company is RMB662,000,000. Morimatsu Pharmaceutical holds 9.06% 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 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.

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 in 2025 are RMB15,900,000 (in 2024: RMB3,455,000), and the net assets of RMB552,738,000 (2024: RMB454,533,000) are mainly paid up capital.

The total comprehensive losses of Mori-Union Microchannel in 2025 are RMB56,000 (in 2024: The total comprehensive income is RMB162,000) and the net asset of RMB1,118,000 (2024: RMB1,174,000) is mainly paid up capital.

The total comprehensive income of An Yi in 2025 is RMB989,000 (in 2024: The total comprehensive losses are RMB105,000) and the net asset of RMB20,867,000 (2024: RMB19,893,000) is mainly paid up capital.

## 15 INTERESTS IN JOINT VENTURES

Details of the Group's interests in the joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Forms of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activity
				Groups' effective interest	Held by a subsidiary	
Morsburn Engineering and Technology LLC	Incorporated	The United States	USD2,000	51.00%	51.00%	Providing engineering technology, support and equipment to projects
Shanghai Ei-Mori Fluid Equipment CO., LTD. (上海森躍智造流體設備有限公司)	Incorporated	The PRC	RMB10,000,000/ RMB1,000,000	51.00%	51.00%	Research and development, manufacturing and sales of valves

Morsburn Engineering and Technology LLC ("Morsburn") was established on 26 October 2024 by Morimatsu Houston Corporation with a joint venturer in the United States.

Shanghai Ei-Mori Fluid Equipment CO., LTD. ("Ei-Mori Fluid") was established on 3 June 2025 by Morimatsu Heavy Industry with a joint venturer in the PRC.

The Group accounts for Morsburn and Ei-Mori Fluid 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 and Ei-Mori Fluid is under joint control.

Morsburn and Ei-Mori Fluid are unlisted corporate entities whose quoted market price is not available.

The total comprehensive income of Morsburn in 2025 is nil, and the net assets of RMB14,000 is mainly paid up capital.

The total comprehensive losses of Ei-Mori Fluid in 2025 are RMB196,000, and the net assets of RMB804,000 is mainly paid up capital.

## 16 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Prepayments for property, plant and equipment	14,886	15,580
Long-term deferred expense	38,288	17,521
Leasing receivables	1,373	—
	54,547	33,101

## Notes to the Consolidated Financial Statements

### 17 GOODWILL

	RMB'000
<b>Cost:</b>	
At 31 December 2025	<b>145,089</b>
<b>Accumulated impairment losses:</b>	
At 31 December 2025	—
<b>Net value:</b>	
At 31 December 2025	<b>145,089</b>

The recoverable amounts of the Bioengineering Group CGU were estimated based on the value in use. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry, the CGU itself and macro-environment. The key assumptions used in estimating the recoverable amount are as follows:

	As at 31 December 2025
Annual revenue growth rate during the forecast period (i):	<b>22.00%, 20.00%, 19.00%, 17.00%, 12.00%</b>
Gross profit margin	<b>17.05%, 19.35%, 21.18%, 22.26%, 21.53%</b>
Growth rate beyond the forecast period	<b>0.00%</b>
Pre-tax discount rate	<b>11.85%</b>

- (i) The basis used to determine the value assigned to the annual growth rate of revenue was based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years.

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU is set out as follows:

	As at 31 December 2025 RMB'000
the Bioengineering Group CGU	<b>5,842</b>

## 17 GOODWILL (Continued)

Management have undertaken sensitive analysis on the impairment of goodwill. The following table sets out the hypothetical changes to annual growth rate of revenue during the 5-year forecast period, gross margin rate and discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December, 2025:

	<b>As at 31 December 2025</b>
Annual growth rate of revenue during the 5-year forecast period	<b>-0.27%</b>
Gross margin rate	<b>-0.17%</b>
Pre-tax discount rate	<b>0.21%</b>

The Group performs impairment test on goodwill as of 31 December, 2025. The recoverable amount of the CGU based on the VIU calculations is higher than its carrying amount as at 31 December, 2025. With regard to the assessment of the VIU of the CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

As at 31 December, 2025, the management has considered and assessed all available internal and external sources of information and has not identified any indications that an impairment loss of goodwill may have occurred. Therefore the management did not make a formal estimate of the recoverable amounts of the Bioengineering Group CGU as at 31 December, 2025.

## 18 INVENTORIES

### (a) Inventories in the consolidated statements of financial position comprise:

	<b>As at 31 December 2025 RMB'000</b>	2024 RMB'000
Raw materials	<b>307,840</b>	304,819
Work in progress	<b>422,575</b>	492,424
	<b>730,415</b>	797,243

## Notes to the Consolidated Financial Statements

### 18 INVENTORIES (Continued)

- (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	
	2025	2024
	RMB'000	RMB'000
Carrying amount of inventories sold	5,105,636	4,881,229
Write-down of inventories	33,083	18,313
Reversal of write-down of inventories	(370)	(965)
Recognised in research and development expenses	178,130	171,636
	<b>5,316,479</b>	<b>5,070,213</b>

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.

### 19 CONTRACT ASSETS AND CONTRACT LIABILITIES

- (a) Contract assets

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Contract assets</b>		
Arising from revenue recognised over time	1,618,414	938,869
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 20)	971,309	1,035,842

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.

**19 CONTRACT ASSETS AND CONTRACT LIABILITIES** (Continued)**(b) Contract liabilities**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
<b>Contract liabilities</b>		
Billings in advance of performance	<b>1,221,152</b>	1,476,247

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.

	<b>Contract liabilities</b>
	RMB'000

**Movement in contract liabilities**

At 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 and 1 January 2025	<b>1,476,247</b>
Effect of acquisition of the Bioengineering Group	<b>134,232</b>
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	<b>(1,055,831)</b>
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	<b>666,504</b>
At 31 December 2025	<b>1,221,152</b>

### 20 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bills receivable (Note (a)(i))	42,043	45,238
Trade debtors net of loss allowance	971,309	1,035,842
Other debtors	123,980	85,425
Financial assets measured at amortised cost	1,137,332	1,166,505
Prepayments	208,189	181,435
	1,345,521	1,347,940

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 2025, the Group did not have bill receivable (as at 31 December 2024: 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 2025, bills endorsed and derecognised, but yet reached maturity amounted to RMB278,157,000 (as at 31 December 2024: RMB213,210,000). 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 RMB32,256,000 endorsed by the Group to its suppliers as at 31 December 2025 (as at 31 December 2024: RMB30,969,000) 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.

**20 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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>440,559</b>	277,753
More than 3 months but less than 1 year	<b>201,888</b>	434,838
More than 1 year but less than 2 years	<b>257,268</b>	273,638
More than 2 years	<b>71,594</b>	49,613
	<b>971,309</b>	1,035,842

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 32(a).

**21 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION****(a) Cash and bank deposits and restricted cash comprise:**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>1,547,970</b>	1,477,549
Non-pledged time deposits with original maturity of three months or less when acquired	<b>1,353,541</b>	947,215
Sub-total	<b>2,901,511</b>	2,424,764
Non-pledged time deposits with original maturity of over three months when acquired	<b>230,556</b>	170,684
Cash and bank deposits	<b>3,132,067</b>	2,595,448
Restricted cash	<b>1,643</b>	3,188
Total	<b>3,133,710</b>	2,598,636

As at 31 December 2025, the Group did not have deposits pledged to banks (as at 31 December 2024: nil).

## Notes to the Consolidated Financial Statements

### 21 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	
		2025 RMB'000	2024 RMB'000
<b>Profit before taxation</b>		<b>717,046</b>	911,254
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	5(c)	<b>172,025</b>	153,237
Depreciation of right-of-use assets	5(c)	<b>40,563</b>	20,248
Amortisation of intangible assets	5(c)	<b>25,114</b>	21,301
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets	4	<b>2,080</b>	553
Changes in fair value of financial assets and liabilities	4	<b>(4,043)</b>	(854)
Interest income	4	<b>(74,673)</b>	(59,987)
Net foreign exchange gains/(losses)		<b>1,791</b>	(4,811)
Finance costs	5(a)	<b>16,458</b>	10,448
Share of results of joint ventures	15	<b>100</b>	—
Share of results of associates	14	<b>1,222</b>	491
Equity-settled share-based payment expenses	5(b)	<b>64,920</b>	60,840
Net realised gains on financial assets measured at fair value through profit or loss	4	<b>(11,532)</b>	(10,066)
<b>Changes in working capital</b>			
Increase in deferred tax assets	26	<b>(15,584)</b>	(8,327)
Decrease in deferred tax liabilities	26	<b>(4,966)</b>	(3,592)
Decrease in inventories	18	<b>117,068</b>	1,003,694
Increase in contract assets	19	<b>(560,419)</b>	(72,559)
Decrease in trade and other receivables	20	<b>16,886</b>	144,444
Decrease in other non-current assets		<b>15,990</b>	8,068
Decrease in contract liabilities	19	<b>(389,327)</b>	(861,554)
Increase/(decrease) in trade and other payables	23	<b>286,244</b>	(158,417)
Increase in forward exchange contracts		<b>1,789</b>	172
Increase for deferred income	28	<b>948</b>	1,614
Increase/(decrease) in provisions	27	<b>4,128</b>	(518)
Decrease/(increase) in restricted cash	21	<b>1,545</b>	(3,188)
<b>Net cash flows generated from operating activities</b>		<b>425,373</b>	1,152,491

## 21 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

### (c) Reconciliation of liabilities arising from financing activities

	<b>Bank loans and other borrowings RMB'000 (Note 24)</b>	<b>Lease liabilities RMB'000 (Note 25)</b>	<b>Other non- current liabilities RMB'000 (Note 29)</b>	<b>Total RMB'000</b>
<b>At 1 January 2024</b>	365,083	19,250	—	384,333
<b>Changes from financing cash flows:</b>				
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)
<b>Exchange adjustment</b>	(2,406)	683	—	(1,723)
<b>Other changes:</b>				
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
<b>At 31 December 2024 and 1 January 2025</b>	214,185	81,609	—	295,794

## 21 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

### (c) Reconciliation of liabilities arising from financing activities *(Continued)*

	<b>Bank loans and other borrowings RMB'000 (Note 24)</b>	<b>Lease liabilities RMB'000 (Note 25)</b>	<b>Other non- current liabilities RMB'000 (Note 29)</b>	<b>Total RMB'000</b>
<b>Changes from financing cash flows:</b>				
Proceeds from bank loans	560,119	—	—	560,119
Proceeds from investors	—	—	330,000	330,000
Capital element of lease rentals paid	—	(36,738)	—	(36,738)
Interest element of lease rentals paid	—	(3,627)	—	(3,627)
Repayment of bank loans	(444,383)	—	—	(444,383)
Interest paid	(6,812)	—	—	(6,812)
Total changes from financing cash flows	108,924	(40,365)	330,000	398,559
<b>Exchange adjustment</b>	1,821	204	—	2,025
<b>Other changes:</b>				
Increase in lease liabilities from acquisition of the Bioengineering Group	—	13,022	—	13,022
Increase in lease liabilities from entering into new leases during the period	—	26,708	—	26,708
Interest expenses (Note 5(a))	6,647	3,627	6,184	16,458
Termination	—	(110)	—	(110)
Total other changes	6,647	43,247	6,184	56,078
<b>At 31 December 2025</b>	331,577	84,695	336,184	752,456

## 21 CASH AND BANK DEPOSITS AND RESTRICTED CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

### (d) Total cash outflow for leases

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Within operating cash flows	<b>68,858</b>	43,154
Within financing cash flows	<b>40,365</b>	14,891
	<b>109,223</b>	58,045

### (e) Net cash outflow arising from acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	<b>RMB'000</b>
Total consideration paid in cash	204,277
Less: cash of subsidiary acquired	(19,845)
	184,432

## 22 NON-CURRENT ASSETS DUE WITHIN ONE YEAR

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Leasing receivables due within one year	<b>1,350</b>	—
	<b>1,350</b>	—

## Notes to the Consolidated Financial Statements

### 23 TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Bills payable	<b>181,648</b>	116,775
Trade payables	<b>1,364,674</b>	1,076,073
Other payables and accruals	<b>528,391</b>	453,735
	<b>2,074,713</b>	1,646,583

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:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>931,747</b>	638,085
More than 3 months but less than 6 months	<b>160,965</b>	139,691
More than 6 months but less than 12 months	<b>73,978</b>	114,704
More than 1 year but less than 2 years	<b>88,187</b>	121,368
More than 2 years	<b>109,797</b>	62,225
	<b>1,364,674</b>	1,076,073

No bills payable (as at 31 December 2024: 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.

**24 INTEREST-BEARING BORROWINGS**

(a) The analysis of carrying amount of interest-bearing borrowings is as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Current		
— non-guaranteed bank loans	<b>331,577</b>	87,906
Non-current		
— non-guaranteed bank loans	—	126,279
Interest-bearing borrowings	<b>331,577</b>	214,185

(b) The bank loans and interest-bearing borrowings were repayable as follows:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Within 1 year or on demand	<b>331,577</b>	87,906
After 1 year but within 2 years	—	6,720
After 2 years but within 5 years	—	119,559
	<b>331,577</b>	214,185

## Notes to the Consolidated Financial Statements

### 25 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 2025		As at 31 December 2024	
	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	41,146	43,611	27,233	30,210
After 1 year but within 2 years	27,220	28,358	25,590	27,317
After 2 years but within 5 years	14,067	15,143	24,128	25,743
After 5 years	2,262	2,322	4,658	4,889
	<b>84,695</b>	<b>89,434</b>	81,609	88,159
Less: total future interest expenses		<b>(4,739)</b>		(6,550)
Present value of lease liabilities		<b>84,695</b>		81,609

### 26 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represent:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<i>Provision for income tax for the year:</i>		
Balance at 1 January	108,931	90,089
Provision for current income tax for the year	125,304	178,371
Withholding tax on the profits of the Group's PRC subsidiaries (Note 6(a))	28,000	14,921
PRC income tax paid	(152,919)	(174,450)
Balance at 31 December	<b>109,316</b>	108,931

## 26 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 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	Revaluation of other properties RMB'000	Total RMB'000
<b>Deferred tax assets/(liabilities) arising from:</b>															
At 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 and 1 January 2025	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)
Effect of acquisition of the Bioengineering Group	1,807	—	—	—	(637)	—	—	—	(298)	52	—	—	—	(6,316)	(5,392)
Charged/(credited) to profit or loss	2,779	30	7,027	(251)	2,274	477	3,507	210	1,827	(2,079)	(6,199)	5,000	5,948	—	20,550
At 31 December 2025	18,793	98	26,837	(432)	(41,364)	5,073	5,555	5,781	(6,469)	6,073	11,399	(23,000)	7,447	(6,316)	9,475

#### (ii) Reconciliation to the consolidated statement of financial position

	2025 RMB'000	2024 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	<b>38,826</b>	22,318
Net deferred tax liability recognised in the consolidated statement of financial position	<b>(29,351)</b>	(28,001)
	<b>9,475</b>	(5,683)

#### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB133,485,000 as at 31 December 2025 (as at 31 December 2024: RMB76,003,000) of the Company and the Group's subsidiaries in Mainland China and in Malaysia 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 losses of RMB52,841,000 expire within 10 years from the year when such losses were incurred under current tax law. The deductible tax losses of RMB67,386,000 expire within 5 years from the year when such losses were incurred under current tax law.

The deductible tax losses of RMB13,258,000 will not expire from the year when such losses were incurred under current tax law.

## Notes to the Consolidated Financial Statements

### 26 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

#### (d) Deferred tax assets recognised

Morimatsu LifeSciences, Morimatsu Biotechnology and Semi-Chem Equipment recognised the deferred tax assets in respect of cumulative tax losses of RMB76,191,000 as at 31 December 2025 (2024: RMB117,323,000).

#### (e) Deferred tax liabilities not recognised

At 31 December 2025, temporary differences relating to undistributed profits of the subsidiaries amounted to RMB2,703,288,000 (as at 31 December 2024: RMB2,368,339,000). Deferred tax liabilities of RMB270,329,000 (as at 31 December 2024: RMB236,834,000) 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.

### 27 PROVISIONS

	Warranty provision RMB'000	Provision for onerous contract RMB'000	Sales allowance RMB'000	Litigation RMB'000	Total RMB'000
At 1 January 2025	30,151	117	118	—	30,386
Additional provisions made	11,377	2,912	—	2,274	16,563
Provisions utilised	(12,435)	—	—	—	(12,435)
At 31 December 2025	29,093	3,029	118	2,274	34,514

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.

### 28 DEFERRED INCOME

	As at 31 December 2025 RMB'000	2024 RMB'000
Government grants	46,926	45,978

### 28 DEFERRED INCOME *(Continued)*

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.

### 29 OTHER NON-CURRENT LIABILITIES

On 7 July 2025, the Company, Morimatsu China, a wholly-owned subsidiary of the Company, Morimatsu Pharmaceutical, a non-wholly owned subsidiary of the Company, and several investors (the “**Investors**”) have entered into the transaction documents (the “**Transaction Documents**”), pursuant to which the investors have agreed to subscribe for the additional registered capital of Morimatsu Pharmaceutical of RMB12,946,412 (the “**SMP Shares**”) at a consideration of RMB330,000,000. Upon completion of the subscription, the registered capital of Morimatsu Pharmaceutical will increase from RMB86,309,407 to RMB99,255,819.

#### (a) Dividends rights

Each holder of the SMP Shares shall be entitled to receive the cash dividend from Morimatsu Pharmaceutical, at distribution levels as agreed in the Transaction Documents, from 2025 to 2032.

#### (b) Redemption feature

Upon the occurrence of any of the following circumstances, the Investors have the right to require the Morimatsu Pharmaceutical or the controlling shareholder to purchase all or a portion of the equity interest in Morimatsu Pharmaceutical then held by the Investors:

- (i) Morimatsu Pharmaceutical fails to meet the net profit target agreed in the Transaction Documents;
- (ii) Morimatsu Pharmaceutical and its controlling shareholder fail to reach a written agreement with the Investors by 31 December 2029 regarding the dividend arrangement of Morimatsu Pharmaceutical;
- (iii) there are serious breaches of the Transaction Documents by the Morimatsu Pharmaceutical, the controlling shareholder, and their affiliates;
- (iv) there are significant changes in Morimatsu Pharmaceutical’s principal business, or Morimatsu Pharmaceutical loses or is unable to continue to obtain the necessary qualifications to operate its existing principal business;
- (v) If there is a change in the actual controller of Morimatsu Pharmaceutical.

## Notes to the Consolidated Financial Statements

### 29 OTHER NON-CURRENT LIABILITIES (Continued)

#### (b) Redemption feature (Continued)

The redemption price shall be paid by the Morimatsu Pharmaceutical to the investors of the SMP Shares in an amount equal to 100% of the issue price of each SMP Share, plus 6% per annual simple interest on the issue price of each SMP Share accrued during the period from the issue date until the date stated on redemption notice, and any declared but unpaid dividend thereon, reduced by the amount of dividends declared and distributed during the holding period.

#### (c) Liquidation preferences

In the event of any liquidation of the Morimatsu Pharmaceutical, the remaining assets of the Morimatsu Pharmaceutical after paying all statutory fees, settling company debts, and taxes shall be prioritized for distribution to the investors of the SMP Shares in cash. The amount of the priority distribution to the investors of the SMP Shares shall be 100% of the issue price of each SMP Share, plus 6% per annual simple interest on the issue price of each SMP Share accrued during the period from the issue date until the date stated on redemption notice, and any declared but unpaid dividend thereon, reduced by the amount of dividends declared and distributed during the holding period.

According to the redemption feature in the transaction documents, the investment of RMB330,000,000 is classified as a financial liability under HKFRS 9, *Financial instruments*, and interest is recognised. As at 31 December 2025, other non-current liabilities of RMB330,000,000 bearing interest at 6% per annum with accrued interest RMB6,184,000.

### 30 EQUITY SETTLED SHARE-BASED TRANSACTIONS

#### (i) Pre-IPO Share Option Scheme

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.

### 30 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

#### (i) Pre-IPO Share Option Scheme *(Continued)*

The Group recognised an expense of RMB19,148,000 in the year ended 31 December 2025 (in the year ended 31 December 2024: RMB36,477,000), 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 2025, options to subscribe for an aggregate of 29,972,430 ordinary shares were exercised (in the year ended 31 December 2024: 10,406,653).

#### (ii) RSU Scheme

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.

RSUs of 9,269,100 units and 9,269,100 units were vested during the year ended 31 December 2024 and the five-day period ended 5 January 2025, respectively, and RSUs expense of RMB12,826,000 recognised in 2024 for simplicity.

RSUs of 10,821,600 units were exercised in the year ended 31 December 2025 (in the year ended 31 December 2024: nil).

#### (iii) RS Scheme

Morimatsu Pharmaceutical, 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 RMB45,772,000 in the year ended 31 December 2025 (31 December 2024: RMB11,537,000), 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.

**30 EQUITY SETTLED SHARE-BASED TRANSACTIONS** *(Continued)*

(a) The terms and conditions of the grants are as follows:

(i) **Pre-IPO Share Option Scheme and RSU Scheme**

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

(ii) **RS Scheme**

Type of scheme	Grant date	Number of Morimatsu Pharmaceutical'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

**30 EQUITY SETTLED SHARE-BASED TRANSACTIONS** (Continued)**(b) The number of instruments are as follows:****(i) Pre-IPO Share Option Scheme and RSU Scheme**

	Year ended 31 December 2025		Year ended 31 December 2024	
	Pre-IPO Share Option Scheme	RSU Scheme	Pre-IPO Share Option Scheme	RSU Scheme
Outstanding at the beginning of the year	95,774,240	18,538,200	106,180,893	18,538,200
Granted during the year	—	—	—	—
Exercised during the year	(29,972,430)	(10,821,600)	(10,406,653)	—
Forfeited during the year	—	—	—	—
Outstanding at the end of the year	65,801,810	7,716,600	95,774,240	18,538,200
Exercisable at the end of the year	39,891,810	7,716,600	43,954,240	9,269,100

The outstanding options of Pre-IPO Share Option Scheme at 31 December 2025 had an exercise price of HKD0.0001 and a weighted average remaining contractual life of 0.49 year (2024: 1.49 years).

The outstanding RSUs of RSU Scheme at 31 December 2025 had an exercise price of HKD4.17 and a weighted average remaining contractual life of zero (2024: 0.02 year).

**(ii) RS Scheme**

	Year ended 31 December 2025 RS Scheme	Year ended 31 December 2024 RS Scheme
Outstanding at the beginning of the year	12,868,710	—
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	12,868,710
Exercisable at the end of the year	—	—

The outstanding RSs of RS Scheme at 31 December 2025 had an exercise price of RMB2.00 and a weighted average remaining contractual life of 4.23 years (2024: 5.23 years).

### 30 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.

**30 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 RSs granted is measured by reference to the fair value of RSs granted. Discounted cash flow method was used to determine the underlying equity fair value of the Morimatsu Pharmaceutical, 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***

	<b>RS Scheme</b>
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.

## Notes to the Consolidated Financial Statements

### 31 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 RMB'000 Note 31(b)	Treasury stock RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000 Note 31(c)	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January</b>						
<b>2024</b>	1,302,751	(38,944)	731,244	22,995	90,309	2,108,355
<b>Changes in equity for the year ended 31 December 2024</b>						
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 30)	—	—	50,845	—	—	50,845
Issuance and repurchase of ordinary shares to the Company (Note 31(b)(i))	32,074	(32,074)	—	—	—	—
Repurchase of ordinary shares to the Company (Note 31(b)(ii))	—	(15,220)	—	—	—	(15,220)
Cancellation of ordinary shares to the Company (Note 31(b)(ii))	(7,535)	7,535	—	—	—	—
Exercise of share option (Note 31(b)(iii))	23,839	1	(23,839)	—	—	1
<b>Total change for the year</b>	<b>48,378</b>	<b>(39,758)</b>	<b>27,006</b>	<b>5,108</b>	<b>154,430</b>	<b>195,164</b>
<b>Balance at 31 December 2024 and 1 January 2025</b>						
<b>2025</b>	1,351,129	(78,702)	758,250	28,103	244,739	2,303,519

**31 CAPITAL AND RESERVES (Continued)****(a) Movements in components of equity (Continued)**

<b>The Company</b>	<b>Share capital</b> RMB'000 Note 31(b)	<b>Treasury stock</b> RMB'000	<b>Capital reserve</b> RMB'000	<b>Exchange reserve</b> RMB'000 Note 31(c)	<b>Retained earnings</b> RMB'000	<b>Total equity</b> RMB'000
<b>Changes in equity for the year ended 31 December 2025</b>						
Profit for the year	—	—	—	—	230,490	230,490
Other comprehensive income for the year	—	—	—	(10,746)	—	(10,746)
Profit distribution	—	—	—	—	(170,474)	(170,474)
Equity-settled share-based transactions (Note 30)	—	—	25,265	—	—	25,265
Issuance and repurchase of ordinary shares to the Company (Note 31(b)(i))	2	(2)	—	—	—	—
Cancellation of ordinary shares to the Company (Note 31(b)(ii))	(7,685)	7,685	—	—	—	—
Exercise of share option (Note 31(b)(iii))	113,189	41,024	(112,896)	—	—	41,317
<b>Total change for the year</b>	<b>105,506</b>	<b>48,707</b>	<b>(87,631)</b>	<b>(10,746)</b>	<b>60,016</b>	<b>115,852</b>
<b>Balance at 31 December 2025</b>	<b>1,456,635</b>	<b>(29,995)</b>	<b>670,619</b>	<b>17,357</b>	<b>304,755</b>	<b>2,419,371</b>

## Notes to the Consolidated Financial Statements

### 31 CAPITAL AND RESERVES (Continued)

#### (b) Share capital

	2025		2024	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>1,221,583</b>	<b>1,351,129</b>	1,190,092	1,302,751
Issuance and repurchase of ordinary shares to the Company (Note 31(b)(i))	<b>25,910</b>	<b>2</b>	33,083	32,074
Cancellation of ordinary shares to the Company (Note 31(b)(ii))	<b>(2,074)</b>	<b>(7,685)</b>	(1,592)	(7,535)
Exercise of share option and RSUs (Note 31(b)(iii))	—	<b>113,189</b>	—	23,839
At 31 December	<b>1,245,419</b>	<b>1,456,635</b>	1,221,583	1,351,129

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

#### (i) Issuance and repurchase of ordinary shares to the Company

The Company issued and repurchased 25,910,000 ordinary shares at notional par value of HKD1.1964 per share at consideration of RMB2,000 for exercise of Pre-IPO Share Option Scheme on 4 June 2025 (24,778,000 ordinary shares at notional par value of HKD1.208 per share at consideration of RMB2,000 on 3 June 2024).

In the year ended 31 December 2025, no ordinary shares were issued or repurchased in connection with RSU Scheme (8,305,200 ordinary shares at notional par value of HKD4.17 per share at consideration of RMB32,072,000 on 22 November 2024).

**31 CAPITAL AND RESERVES (Continued)****(b) Share capital (Continued)****(ii) Repurchase and cancellation of ordinary shares to the Company**

For enhancing the net asset value and earnings per share, the Company repurchased a total of 3,666,000 ordinary shares at a price ranging from HKD3.55 to HKD6.18 per share with a total consideration of RMB15,220,000 during year ended 31 December 2024. Repurchased shares of 1,592,000 shares, amounting to RMB7,535,000, were cancelled in the same year. The remaining repurchased shares of 2,074,000 shares, amounting to RMB7,685,000 were cancelled during the year ended 31 December 2025.

**(iii) Exercise of share option and RSU**

The option to subscribe for an aggregate of 29,972,430 ordinary shares, which grant date fair value is RMB2.29, were exercised in 2025 at the exercise price of RMB3,000. RMB68,659,000 was transferred from the capital reserve to the share capital account in accordance with policy set out in Note 1(t)(ii).

The option to subscribe for an aggregate of 10,406,653 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(t)(ii).

RSUs of 10,821,600 units were vested and exercised at the exercise price of RMB41,021,000 in the year ended 31 December 2025. RMB44,237,000 was transferred from the capital reserve to the share capital account in accordance with policy set out in Note 1(t)(ii).

RSUs of 9,269,100 units were vested, and no RSUs were exercised in the year ended 31 December 2024.

**(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(x).

### 31 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.

As at 31 December 2025, PRC statutory reserve included in the Group's retained earnings amounting to RMB432,213,000 is not distributable (31 December 2024: RMB361,006,000).

#### (e) Dividends

During the year ended 31 December 2025, HKD0.15 per ordinary share, HKD186,813,000 (equivalent to RMB170,474,000) was distributed and paid.

During the year ended 31 December 2024, HKD0.1 per ordinary share, HKD121,328,000 (equivalent to RMB110,810,000) was distributed and paid.

The total amount of dividends proposed after the end of the reporting period of HKD0.2 per ordinary share is HKD249,084,000. 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(t)(ii).

### 31 CAPITAL AND RESERVES (Continued)

#### (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.

#### (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 2025 and 2024, 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.

## Notes to the Consolidated Financial Statements

### 31 CAPITAL AND RESERVES (Continued)

#### (h) Capital management (Continued)

The Group's adjusted net debt-to-capital ratios at 31 December 2025 and 2024 were as follows:

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Current liabilities:			
Interest-bearing borrowings	24	<b>331,577</b>	87,906
Lease liabilities	25	<b>41,146</b>	27,233
Non-current liabilities:			
Interest-bearing borrowings	24	—	126,279
Lease liabilities	25	<b>43,549</b>	54,376
Other non current liabilities		<b>336,184</b>	—
<b>Total debt</b>		<b>752,456</b>	295,794
Less: Cash and bank deposits	21(a)	<b>(3,132,067)</b>	(2,595,448)
Less: Restricted cash	21(a)	<b>(1,643)</b>	(3,188)
<b>Adjusted net debt</b>		<b>(2,381,254)</b>	(2,302,842)
Total equity attributable to equity shareholders of the Company		<b>5,599,317</b>	5,048,359
<b>Adjusted capital</b>		<b>5,599,317</b>	5,048,359
<b>Adjusted net debt-to-capital ratio</b>		<b>no net debt</b>	no net debt

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements throughout the reporting period.

### 32 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 2025 and 2024, 0.71% and 0.25% of the total trade receivables and contract assets was due from the Group's largest customer, 9% and 9% 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.

### 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (a) Credit risk *(Continued)*

##### Trade receivables and contract assets *(Continued)*

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.

During the year ended 31 December 2025 and 2024, 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 2025 and 2024:

	31 December 2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.01%~0.03%	1,851,777	(305)
0-3 months past due	0.01%~0.29%	279,816	(159)
4-6 months past due	0.01%~5%	39,528	(171)
7-12 months past due	0.05%~5.00%	108,645	(642)
1-2 year past due	0.15%~9.39%	225,399	(6,955)
		2,505,165	(8,232)
Customers with high credit risk	35%, 50%, 100%	263,670	(170,880)
		2,768,835	(179,112)

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (a) Credit risk *(Continued)*

#### Trade receivables and contract assets *(Continued)*

	31 December 2024		Loss allowance RMB'000
	Expected loss rate %	Gross carrying amount RMB'000	
Current (not past due)	0.01%~5.00%	1,288,327	(27,094)
0–3 months past due	0.01%~5.00%	188,035	(7,383)
4–6 months past due	0.03%~9.39%	171,418	(4,806)
7–12 months past due	0.05%~5.00%	162,737	(4,015)
1–2 year past due	0.13%~100.00%	237,412	(29,920)
		2,047,929	(73,218)
Customers with high credit risk	100.00%	54,347	(54,347)
		2,102,276	(127,565)

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	
	2025 RMB'000	2024 RMB'000
Balance at 1 January	127,565	11,329
Effect of acquisition of Shandong Keda	—	495
Amounts written off during the year	(414)	(603)
Impairment losses recognised during the year	96,853	118,983
Impairment losses reversed during the year	(44,892)	(2,639)
Balance at 31 December	179,112	127,565

### 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

#### (a) Credit risk *(Continued)*

##### Trade receivables and contract assets *(Continued)*

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 RMB22,923,000 (2024: RMB5,980,000);
- settlement of trade receivables originated from prior years resulted in a decrease in loss allowance of RMB10,306,000 (2024: RMB1,180,000);
- increase in days past due over resulted in an increase in loss allowance of RMB39,344,000 (2024: RMB111,544,000); and
- a write-off of trade receivables with a gross carrying amount of RMB414,000 (2024: RMB603,000) resulted in a decrease in loss allowance of RMB414,000 (2024: RMB603,000).

#### (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.

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (b) Liquidity risk *(Continued)*

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 2025						
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	24	333,122	—	—	333,122	331,577
Trade and other payables	23	2,074,713	—	—	2,074,713	2,074,713
Lease liabilities	25	43,611	43,501	2,322	89,434	84,695
Other non-current liabilities	29	—	415,384	—	415,384	336,184
		<b>2,451,446</b>	<b>458,885</b>	<b>2,322</b>	<b>2,912,653</b>	<b>2,827,169</b>

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	24	92,325	132,433	—	224,758	214,185
Trade and other payables	23	1,646,583	—	—	1,646,583	1,646,583
Lease liabilities	25	30,210	53,060	4,889	88,159	81,609
		1,769,118	185,493	4,889	1,959,500	1,942,377

**32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS** *(Continued)*

**(b) Liquidity risk** *(Continued)*

	As at 31 December 2025 Contractual undiscounted cash (outflow)/inflow		As at 31 December 2024 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	<b>(61,131)</b>	<b>(61,131)</b>	(56,591)	(56,591)
— inflow	<b>62,901</b>	<b>62,901</b>	56,034	56,034
Monetary fund:				
— inflow	<b>150,430</b>	<b>150,430</b>	396,598	396,598

**(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. 99% 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.

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (c) Interest rate risk *(Continued)*

#### (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 2025		As at 31 December 2024	
	Interest rate %	RMB'000	Interest rate %	RMB'000
<b>Fixed rate borrowings:</b>				
Interest-bearing borrowings	1.69%–2.95%	321,571	2.3%–3.21%	87,789
Lease liabilities	0.00%–6.68%	84,695	0.00%–6.68%	81,609
Other non current liabilities	6.00%	336,184	—	—
<b>Total fixed rate borrowings</b>		<b>742,450</b>		169,398
<b>Variable rate borrowings:</b>				
Interest-bearing borrowings	1-year LPR-0.85%	10,006	5-year LPR-0.57%	126,396
<b>Total variable rate borrowings</b>		<b>10,006</b>		126,396
Fixed rate borrowings as a percentage of total borrowings		<b>99%</b>		57%

#### (ii) Sensitivity analysis

At 31 December 2025, 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 RMB4,000 (2024: RMB54,000). A 5% decrease of interest rate would have had the equal but opposite effect on them to the amounts shown above.

### 32 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, Singapore Dollar and Swiss Franc. The Group may also use forward foreign exchange contracts to manage currency risk. As at 31 December 2025, 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 2025						
	USD	EUR	JPY	HKD	RMB	SGD	CHF
Cash and bank deposits	1,605,612	298,510	8,323	152	3,617	3,396	460
Trade and other receivables	282,237	83,923	278	—	—	—	—
Intercompany receivables/ (payables), net	31,779	(39,565)	(5,580)	—	231,782	3,645	7,353
Contract assets	597,334	150,016	1,105	—	—	—	—
Interest-bearing borrowings	—	—	—	—	(60,685)	—	(260,887)
Trade and other payables	(71,076)	(8,412)	(2,050)	—	(6,849)	(192)	—
Net balance sheet exposure	2,445,886	484,472	2,076	152	167,865	6,849	(253,074)

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (d) Currency risk *(Continued)*

#### (i) Exposure to currency risk *(Continued)*

	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

#### (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			
	2025	Increase/ (decrease) in profit after tax and retained profits RMB'000	2024	Increase/ (decrease) in profit after tax and retained profits RMB'000
	Increase/ (decrease) in foreign exchange rate %		Increase/ (decrease) in foreign exchange rate %	
USD	2	41,440	2	26,380
EUR	10	40,842	5	3,835
JPY	5	86	5	530
HKD	5	6	5	1
RMB	5	7,019	5	8,233
SGD	5	290	5	262
CHF	10	(21,132)	5	—

## 32 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 2025 RMB'000	Fair value measurements as at 31 December 2025 categorised ratio			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000			
Recurring fair value measurements							
Financial Assets							
Monetary fund*	150,430	—	150,430	—	Open market transaction price	N/A	N/A
Forward exchange contracts	1,770	—	1,770	—	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
Unlisted equity securities — A	12,800	—	—	12,800	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	Discounted cash flow approach	Risk-adjusted discount rate, cash flow	The higher the Risk-adjusted discount rate, the lower the fair value; the higher the cash flow, the higher the fair value

\* As of 31 December 2025, the monetary fund is the structured deposits and short-term wealth management products held by the Group which amounting to RMB150,430,000. The total size of the monetary funds managed by China Zheshang Bank Co., LTD. and Bank of Communications is RMB100,409,000 and RMB50,021,000 respectively with expected interest rate of 1.2%.

## 32 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 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised ratio			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000			
Recurring fair value measurements							
Financial Assets							
Monetary fund*	396,598	—	396,598	—	Open market transaction price	N/A	N/A
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
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%.

During the years ended 31 December 2025 and 2024, 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. and Bank of Communications.

### 32 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.

As of 31 December 2025, the Group invested RMB10,000,000 and hold 1.52% 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 in the year ended 31 December 2025 (in the year ended 31 December 2024: Nil).

The fair value of the investment is determined by the market approach as at 31 December 2025 (as at 31 December 2024: market approach).

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. As of 31 December 2025, the Group's interest has been reduced to 1.62% due to the latest financing of 3DC Inc.. No dividends were received on this investment in the year ended 31 December 2025 (in the year ended 31 December 2024: Nil).

The fair value of the investment is determined by the discounted cash flow approach as at 31 December 2025 (as at 31 December 2024: historical cost).

##### (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 2025 and 2024.

**33 COMMITMENTS****(a) Capital commitments**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Authorised but not contracted for	<b>39,059</b>	97,520
Contracted for but not provided for	<b>107,404</b>	136,311
	<b>146,463</b>	233,831

**(b) Operating lease commitments**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Operating lease commitments	<b>2,106</b>	747
Within 1 year	<b>2,106</b>	747

## Notes to the Consolidated Financial Statements

### 34 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 " <b>Morimatsu Holdings Co., Ltd.</b> ")	Controlling Shareholder
Morimatsu Holdings Co., Ltd. (Prior named as " <b>Morimatsu Industry Company Limited</b> ")	Parent company
Shanghai Morimatsu Chemical Equipment Co., Ltd.	Fellow subsidiary
Shanghai Ei-Mori Fluid Equipment CO., LTD. ("上海森熠製造流體設備有限公司")	Joint venture
Morsburn Engineering and Technology LLC	Joint venture
Dialog Corporate SDN. BHD.	Company controlled by non-controlling interests
Dialog Construction SDN. BHD.	Company controlled by non-controlling interests
Dialog E & C SDN. BHD.	Company controlled by non-controlling interests
Dialog Fabricators SDN. BHD.	Company controlled by non-controlling interests
Dialog Properties SDN. BHD.	Company controlled by non-controlling interests
Saga Dialog SDN. BHD.	Company controlled by non-controlling interests
Overseas Manufacturing (Johor) SDN. BHD.	Company controlled by non-controlling interests
Terumoto Matsuhisa	Members of director and key management personnel
Jungo Hirazawa	Members of director and key management personnel
Hirota 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.

**34 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	
	2025 RMB'000	2024 RMB'000
Short-term employee benefits	15,999	14,784
Equity compensation benefits	29,610	20,002
	<b>45,609</b>	<b>34,786</b>

Total remuneration is included in "staff costs" (see Note 5(b)).

**(c) Related party transactions**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<b>Lease expense</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	17,444	52,317
Dialog Fabricators SDN. BHD.	7,512	4,424
Saga Dialog SDN. BHD.	695	—
Dialog Properties SDN. BHD.	1,016	—
	<b>26,667</b>	<b>56,741</b>
<b>Other income</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	65,924	—
	<b>65,924</b>	<b>—</b>
<b>Outsourcing service income</b>		
Morimatsu Holdings Co., Ltd.	392	412
	<b>392</b>	<b>412</b>

## Notes to the Consolidated Financial Statements

### 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Related party transactions (Continued)

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Sales of Product</b>		
Dialog E & C SDN. BHD.	3,674	10,205
Overseas Manufacturing (Johor) SDN. BHD.	11,069	—
	<b>14,743</b>	<b>10,205</b>
<b>Purchase of Product</b>		
Dialog E & C SDN. BHD.	43	242
Dialog Fabricators SDN. BHD.	535	1,453
Morimatsu Holdings Co., Ltd.	82	—
	<b>660</b>	<b>1,695</b>
<b>Purchase of Services</b>		
Dialog E & C SDN. BHD.	150,939	220,488
Dialog Fabricators SDN. BHD.	—	1,340
Dialog Corporate SDN. BHD.	354	190
Dialog Construction SDN. BHD.	505	120
Overseas Manufacturing (Johor) SDN. BHD.	125	—
	<b>151,923</b>	<b>222,138</b>

**34 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)**(d) Related party balances**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
<b>Amounts due to (trade):</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	<b>23,813</b>	67,327
Dialog Fabricators SDN. BHD.	<b>1,502</b>	434
Dialog Construction SDN. BHD.	<b>11</b>	41
Dialog E & C SDN. BHD.	<b>34,834</b>	31,037
Dialog Corporate SDN. BHD.	<b>36</b>	15
Dialog Properties SDN. BHD.	<b>364</b>	—
Overseas Manufacturing (Johor) SDN. BHD.	<b>130</b>	—
	<b>60,690</b>	98,854
Trade payables	<b>60,690</b>	95,807
Contract liabilities	<b>—</b>	3,047
	<b>60,690</b>	98,854
<b>Amounts due from (trade):</b>		
Morimatsu Holdings Co., Ltd.	<b>215</b>	240
Dialog E & C SDN. BHD.	<b>982</b>	3,062
Dialog Properties SDN. BHD.	<b>270</b>	—
Overseas Manufacturing (Johor) SDN. BHD.	<b>4,650</b>	—
	<b>6,117</b>	3,302
Trade debtors net of loss allowance	<b>6,117</b>	3,302
	<b>6,117</b>	3,302
<b>Amounts due from (non trade):</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	<b>13,185</b>	—
Other debtors	<b>13,185</b>	—

### **34 MATERIAL RELATED PARTY TRANSACTIONS** *(Continued)*

#### **(e) 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.

**35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
<b>Non-current asset</b>			
Investment in subsidiaries		<b>1,981,833</b>	1,937,912
Property, plant and equipment		<b>2</b>	—
<b>Current assets</b>			
Trade and other receivables	(a)	<b>554,895</b>	350,773
Contract assets		<b>10,498</b>	2,115
Cash and bank deposits		<b>880,719</b>	553,369
<b>Current liabilities</b>			
Trade and other payables	(b)	<b>655,133</b>	309,078
Contract liabilities		<b>31,872</b>	152,289
Interest-bearing borrowings	(c)	<b>321,571</b>	79,283
<b>Net current assets</b>		<b>437,536</b>	365,607
<b>Total assets less current liabilities</b>		<b>2,419,371</b>	2,303,519
<b>Net assets</b>		<b>2,419,371</b>	2,303,519
<b>Capital and reserves</b>			
Share capital		<b>1,456,635</b>	1,351,129
Reserves		<b>962,736</b>	952,390
<b>Total equity</b>		<b>2,419,371</b>	2,303,519

Approved and authorised for issue by the board of directors on 23 March 2026.

)  
 )  
**Weihua Tang** )  
 ) *Directors*  
 )  
**Ye Sheng** )  
 )  
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## Notes to the Consolidated Financial Statements

### 35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

#### (a) Trade and other receivables

	Note	As at 31 December	
		2025	2024
		RMB'000	RMB'000
Amounts due from subsidiaries	(i)	<b>548,807</b>	349,437
Other debtors		<b>6,088</b>	1,336
		<b>554,895</b>	350,773

(i) As at 31 December 2025, RMB231,833,000, RMB35,450,000, RMB16,869,000, RMB755,000, RMB532,000 and RMB263,368,000 were mainly due from Morimatsu China, Morimatsu LifeSciences, Morimatsu Heavy Industry, Morimatsu Dialog, Morimatsu Hi-Purity and MII respectively, which was eliminated in the consolidated financial statements.

As at 31 December 2024, RMB275,147,000, RMB50,619,000, RMB18,633,000, RMB3,060,000 and RMB1,978,000 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	
		2025	2024
		RMB'000	RMB'000
Amounts due to subsidiaries	(i)	<b>654,177</b>	305,838
Other creditors		<b>956</b>	3,240
		<b>655,133</b>	309,078

(i) As at 31 December 2025, RMB645,193,000, RMB7,840,000, RMB607,000 and RMB537,000 were mainly due to Morimatsu Heavy Industry, Morimatsu Dialog, Morimatsu Technology and Service Company Limited and Morimatsu Engineering Technology respectively, which was eliminated in the consolidated financial statements.

As at 31 December 2024, RMB299,698,000 and RMB6,140,000 were mainly due to Morimatsu Heavy Industry and Morimatsu Dialog respectively, which was eliminated in the consolidated financial statements.

**35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)****(c) Interest-bearing borrowings**

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Current		
— non-guaranteed bank loans	<b>321,571</b>	79,283
Interest-bearing borrowings	<b>321,571</b>	79,283

As at 31 December 2025, bank loans of RMB40,319,000 from Mizuho Bank bearing interest at 2.56% per annum are repayable on 28 August 2026.

As at 31 December 2025, bank loans of RMB20,159,000 from Sumitomo Mitsui Banking Corporation bearing interest at 2.95% per annum with accrued interest RMB206,000 are repayable on 27 February 2026.

As at 31 December 2025, bank loans of RMB56,235,000 from Sumitomo Mitsui Banking Corporation bearing interest at 1.69% per annum with accrued interest RMB203,000 are repayable on 15 January 2026.

As at 31 December 2025, bank loans of RMB204,236,000 from Sumitomo Mitsui Banking Corporation bearing interest at 1.70% per annum with accrued interest RMB213,000 are repayable on 9 March 2026.

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.

**36 SUBSEQUENT TO THE REPORTING PERIOD**

On 30 January 2026, upon the approval of Board of Directors of Morimatsu Pharmaceutical, the Group's subsidiary, the cash dividends of RMB120,000,000 was declared but has not been recognised as a liability at the end of the reporting period in accordance with HKAS 10.

### 37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING ON OR AFTER 31 DECEMBER 2025

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 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures — Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	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 except for the following:

#### **HKFRS 18, *Presentation and disclosure in financial statements***

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

### **38 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES**

At 31 December 2025, 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

“Advanced Processes”	refers to high-end manufacturing processes in semiconductor chip fabrication that feature smaller process nodes, higher integration density, and superior performance, typically representing the most advanced chip production technology in the industry
“AGM”	refers to the annual general meeting of the Company
“Air Cooling”	refers to a cooling method that utilizes air flow to dissipate heat generated by equipment, thereby achieving temperature reduction and heat dissipation
“Articles of Association”	refers to the Articles of Association of the Company, as amended from time to time
“Artificial Protein”	refers to protein synthesized and produced through artificial industrial technology that can replace natural animal and plant proteins to meet the needs of food, feed, pharmaceuticals and other applications, is a new type of efficient and low-carbon protein resource
“Audit Committee”	refers to the Audit Committee under the board of directors
“Battery Cell”	refers to the basic energy storage unit of a battery, which is a single electrochemical device formed by integrating and encapsulating core components such as anode material, cathode material, separator and electrolyte according to specific processes, serving as the core for energy conversion and storage of the battery
“Biomass Green Alcohol Energy”	refers to alcohol fuels such as methanol, ethanol and butanol, as well as related energy products produced from renewable biomass including agricultural and forestry waste, crop straw and forestry residues through processes such as biological fermentation and chemical conversion, is a form of renewable, low-carbon, and environmentally friendly green energy
“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
“CAPEX”	Capital Expenditure, the capital expenditure made by an enterprise to acquire, upgrade or maintain long-term assets, is mainly used for investments with long-term benefits such as fixed assets and intangible assets. Such expenditure has a direct impact on the production capacity and future development potential of the enterprise and is strategic allocation of resources
“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
“CHF”	refers to Swiss Franc, the lawful currency of Switzerland
“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
“Data Centre”	refers to a dedicated physical facility for centralized storage, operation and management of IT hardware such as computer servers, network equipment and storage systems, providing stable power supply, cooling, security, network access and other supporting environments. It is also the core infrastructure in the digital era that supports cloud computing, internet, artificial intelligence, big data and other businesses
“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
“Egypt”	refers to the Arab Republic of Egypt
“Ei-Mori Fluid”	Shanghai Ei-Mori Fluid Equipment Co., Ltd. (上海森熠智造流體設備有限公司), a company established in the PRC with limited liability on 3 June 2025 and an indirect non-wholly owned subsidiary of the Company
“Electronic Adhesive”	refers to a type of functional adhesives specifically used in electronic components, integrated circuits, display panels, photovoltaic, new energy and other fields, featuring insulation, sealing, adhesion, heat conduction, flame retardancy, moisture resistance, shock resistance and other properties, to ensure the performance and reliability of electronic products
“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
“Electronic Grade”	refers to a grade designation or quality standard used to describe the grades of materials, chemicals or reagents that meet the extreme purity and cleanliness requirements of the electronic information manufacturing industry, particularly semiconductors and integrated circuits
“Energy Storage Installed Capacity”	refers to the rated power or rated capacity of energy storage systems that are actually installed and capable of being put into operation, serving as a core indicator for measuring the scale of energy storage construction

## Definitions and Glossary

“Energy Storage Lithium Battery”	refers to a rechargeable battery system with Li-ion batteries as the core unit, mainly used for energy storage, peak shaving and valley filling, emergency backup power, and grid connection of new energy. Distinguished from power batteries, it focuses on long cycle life, high safety, large capacity, and long-duration charge and discharge capabilities
“EUR” or “Euro”	refers to euro, the lawful currency of the Eurozone
“Germany”	refers to the Federal Republic of Germany
“Global Offering”	the offer of the Shares for subscription as described in the section headed “Structure of the Global Offering” in the Prospectus
“Greece”	refers to the Hellenic Republic
“Grid Connection Facilities”	refers to all electrical equipment and supporting systems required to safely connect power plants, distributed power sources, energy storage devices, etc. to the public power grid to realize the synchronization, transmission, metering and control of electrical energy
“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
“Lifesciences Singapore”	Morimatsu Lifesciences (Singapore) Pte. Ltd., a private company established in Singapore with limited liability on 22 December 2023 and an indirect wholly-owned subsidiary of the Company

“Liquid Cooling”	refers to a cooling method that utilizes coolant as the medium to absorb and dissipate heat generated by equipment through circulating flow, thereby achieving efficient heat dissipation
“Listing” or “IPO”	refers to the listing of the Shares on the Main Board of the Stock Exchange on 28 June 2021
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commenced, which is 28 June 2021
“Listing Rules”	refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	refers to Main Board of the Stock Exchange
“Malaysia”	refers to the Federation of Malaysia
“Mechatronics”	refers to comprehensive engineering technology that integrates multiple disciplines including mechanical technology, electronic technology, computer technology, automatic control technology through systematic design and integration to construct high-performance and intelligent products or systems
“MET India”	Morimatsu Engineering and Technology (India) Co., Private Limited, a private company established in India with limited liability on 21 November 2025 and an indirect wholly-owned subsidiary of the Company
“Mexico”	refers to the United Mexican States
“Microchannel Reactors/ Microchannel Reaction Device”	refers to a micro-continuous flow reaction device that utilizes micron-scale narrow channels to achieve continuous flow, mixing, heat transfer and reaction of fluids in a tiny space, is the core apparatus of micro-chemical technology
“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. (上海森松生物科技股份有限公司), a company established in the PRC on 17 January 2022 with limited liability and an indirect wholly-owned subsidiary of the Company

## Definitions and Glossary

“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 Morimatsu Research Institution Company Limited (株式會社森松綜合研究所) 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 Hi-Purity”	Shanghai Morimatsu Hi-Purity Neo-Tech Co., Ltd. (上海森松皓純新材料科技有限公司), a company established in the PRC on 3 August 2023 with limited liability and an indirect non-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 Italy”	Morimatsu Italy S.r.l., a company incorporated in Italy with limited liability on 26 November 2020 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), a company established in the PRC with limited liability on 14 October 1990, now known as Shanghai Nagamori Machinery Co., Ltd. (上海森永工程設備股份有限公司), which is a joint stock company established by the Independent Third Parties Mr. Wang Guobin (王國斌), Shanghai Haitai Plastic Machinery Co., Ltd. (上海海太塑料機械有限公司), 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 Wang Tianxin (王天馨) as promoters, holding 55.76%, 25.30%, 14.94% and 4.00% of the shares, respectively, upon establishment
“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 Technology and Trade”	Morimatsu (Jiangsu) Technology and Trade Co., Ltd. (森松(江蘇)科技商貿有限公司), a company established in the PRC on 29 August 2025 with limited liability and an indirect wholly-owned subsidiary of the Company
“Morimatsu Thailand”	บริษัท โมริมัตสึ (ไทยแลนด์) จำกัด (Morimatsu (Thailand) Co., Ltd.), a company established in Thailand on 24 April 2025 with limited liability and an indirect 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
“MXN”	refers to Mexican Peso, the lawful currency of Mexico
“N-Methylpyrrolidone (NMP)”	refers to a kind of colorless and transparent liquid, similar to adhesives, is one of the most commonly used auxiliary materials for lithium batteries, primarily serving to dissolve cathode and anode active substances
“Net Zero Emissions/Carbon Neutrality”	refers to a state in which, over a certain period of time, the total amount of greenhouse gases emitted by human activities is balanced with the total amount of greenhouse gases removed or offset by human activities, achieving a net increase of zero in greenhouse gases
“Nomination Committee”	refers to the Nomination Committee of the Board

## Definitions and Glossary

“OPEX”	Operational Expenditure, refers to ongoing, recurring expenses incurred by an enterprise to maintain day-to-day business operations and generate short-term revenue. These expenditures are recorded as expenses in the income statement (statement of profit and loss) in the period in which they are incurred and have a direct impact on the profit for the period
“Pharmadule Singapore”	Morimatsu Pharmadule (Singapore) Pte. Ltd., a private company established in Singapore with limited liability on 16 January 2023 and 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. (ファーマジューラルT&S株式会社) (formerly known as Shanghai Morimatsu Co., Ltd (上海森松株式会社) and Morimatsu Industry Bunkatsu Junbi Co., Ltd. (森松工業分割準備株式会社), Morimatsu Technology and Service Company Limited (森松T&S株式会社)), a company incorporated in Japan with limited liability on 31 January 2014 and an indirect wholly-owned subsidiary of the Company
“Pharmadule US”	Pharmadule Morimatsu Inc., a company incorporated in the United States with limited liability on 30 June 2011 and an indirect wholly-owned subsidiary of the Company
“Plant-derived Human Serum Albumin”	refers to high-purity recombinant human serum albumin products produced by introducing the human serum albumin-encoding gene into the genome of plants (mostly rice endosperm), through genetic engineering technology, using plants (mostly rice endosperm) as bioreactors to synthesize the target protein, followed by extraction and purification, primarily used in clinical medicine and biopharmaceutical fields and serves as a safe alternative to traditional plasma-extracted human serum albumin
“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 2025 to 31 December 2025
“RM” or “MYR”	refers to Malaysian Ringgit, the lawful currency of Malaysia
“Russia”	refers to the Russian Federation
“RSU Scheme”	refers to the restricted share unit scheme adopted by the Company on 15 December 2021
“SEK”	refers to Swedish Krona, the lawful currency of Sweden
“SFO”	refers to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD”	refers to Singapore dollar, the lawful currency of Singapore
“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
“Solid-state Battery”	refers to a battery that uses solid electrodes and solid electrolyte. Generally, it has a lower power density and higher energy density
“Stock Exchange”	refers to The Stock Exchange of Hong Kong Limited
“Sweden”	refers to the Kingdom of Sweden
“Switzerland”	refers to Swiss Confederation
“Thailand”	refers to the Kingdom of Thailand
“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

## Definitions and Glossary

“Wet Electronic Chemicals” refers to the ultra-clean high purity reagents and process chemicals that are specialized high-purity liquid chemicals used in wet processes for microelectronics and optoelectronics manufacturing, primarily utilized in key processes such as cleaning, etching, developing, and stripping, with extremely strict requirements for impurity control and cleanliness, and serve as the core basic materials for semiconductor, display panel, and photovoltaic industries

“%” 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.