



## 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

A large, glowing circular graphic on the right side of the page, containing the text "2023 Interim Report". The graphic is composed of concentric white and light blue circles with a pixelated, digital effect. The background of the entire page is a dark blue grid with various white icons representing different industries: gears, a globe with a leaf, solar panels, an electric car, batteries, a factory, a microchip, a pill, a DNA helix, and an oil rig.

**2023**  
Interim 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 Hiroataka

### Non-executive Directors

Mr. Matsuhisa Terumoto (Chairperson)

### Independent Non-executive Directors

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

## REGISTERED OFFICE

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

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

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

## COMPANY'S WEBSITE ADDRESS

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

## JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap  
Ms. Lau Wai Yee

## AUTHORISED REPRESENTATIVES

Mr. Nishimatsu Koei  
Ms. Lau Wai Yee

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## HONG KONG SHARE REGISTRAR

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

### **COMPLIANCE ADVISER**

Sinolink Securities (Hong Kong) Company Limited  
Units 2503, 2505–06, 25/F  
Low Block, Grand Millennium Plaza  
181 Queen’s Road Central, Hong Kong

### **PRINCIPAL BANKERS**

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

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

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

### **LEGAL ADVISER AS TO HONG KONG LAW**

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

### **AUDITORS**

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

### **STOCK CODE**

2155

## Definitions and Glossary

“Alpha Strategy”	refers to a strategic capability to simultaneously serve various industries for their different demands with multiple applications and solutions
“Audit Committee”	refers to the Audit Committee under the board of directors
“biopharmaceuticals”	refers to products that are made from organisms, biological tissues, cells, body fluids, etc. by using the principles, approaches and research results of microbiology, chemistry, biochemistry, medicine and other subjects
“bioreactors”	refers to the devices that grow animal cells, bacteria or yeast, etc. under controlled conditions, and are used to produce antibodies, vaccines, insulin or other drugs in the pharmaceutical manufacturing process
“capital expenditure project(s)”	refers to large-scale capital expenditure projects of enterprises in the downstream industry, mainly for the construction of new process equipment or the purchase of large-scale core industrial equipment and high-value industrial solutions
“CDMO”	refers to contract development and manufacturing organization, which is a new type of pharmaceutical research and development and manufacturing outsourcing service model
“CG Code”	refers to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company”	refers to Morimatsu International Holdings Company Limited, a Hong Kong listed company listed on the Main Board of The Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this interim report, refers to Mr. Matsuhisa Terumoto, Morimatsu Holdings and Morimatsu Group
“CXO”	refers to Contract X Organization, which mainly includes organisations serving the three major segments of the pharmaceutical industry, namely research and development, production and sales, and is a model of pharmaceutical outsourcing services
“digital operation and maintenance”	means to apply the IoT (Internet of Things) technology to enable local or remote management of the operation, maintenance of equipment and buildings via a digital platform. This significantly improves management efficiency and level, and really achieves the purposes of cost reduction and efficiency improvement
“electrolyte”	means the carrier for ion transport in a battery. It is generally composed of lithium salts and organic solvents, and as a conductor of ions between the positive and negative electrodes of a lithium battery. The electrolyte is generally composed of high purity organic solvents, electrolytic lithium salts, necessary additives and other raw materials, and is prepared under certain conditions and in a certain ratio
“electronic chemicals”	refers to the fine chemical products supporting the electronic industry, one of the important supporting materials for the electronic industry. The quality of electronic chemicals not only directly affect the quality of electronic products, but have significant effect on the industrialisation of the microelectronic manufacturing technology. The development of the electronic industry requires synchronisation of the electronic chemical industry. Therefore, electronic chemical has become one of the key materials prioritised by all countries around the world in order to develop the electronic industry
“EU”	refers to the European Union

“EUR”	refers to euro, the lawful currency of the Eurozone
“Global Offering”	refers to the offering of Shares for subscription as described in the section headed “Structure of the Global Offering” in the Prospectus
“Group”	refers to the Company and its subsidiaries
“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
“India”	refers to the Republic of India
“Italy”	refers to the Republic of Italy
“Japan”	refers to Japan
“Jinliang Technology”	Shanghai Jinliang Technology Service Co., Ltd. (上海金亮科技服務有限公司), a company established with limited liability in the PRC on 27 December 2021, and a general partner of Jinwen Consultation
“Jinwen Consultation”	Shanghai Jinwen Enterprise Consultation Management Partnership (Limited Partnership) (上海金聞企業諮詢管理合夥企業(有限合夥)), a partnership established with limited liability in the PRC on 10 March 2022, and one of the shareholders of Morimatsu Biotechnology
“JPY”	refers to Japanese Yen, the lawful currency of Japan
“Listing” or “IPO”	refers to the listing of the Shares on the Main Board of the Stock Exchange on 28 June 2021
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commenced, which is 28 June 2021
“Listing Rules”	refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	refers to Main Board of the Stock Exchange
“Malaysia”	refers to the Federation of Malaysia
“Mexico”	refers to United Mexican States
“Model Code”	refers to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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

## Definitions and Glossary

“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 non-wholly owned subsidiary of the Company
“Morimatsu Biotechnology”	Shanghai Morimatsu Biotechnology Co. Ltd. (上海森松生物技術有限公司), a company established in the PRC on 17 January 2022 with limited liability and an indirect non-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 joint venture company owned as to 51% by the Group and 49% by an independent third party
“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 virtue of his 100% voting right, and one of our Controlling Shareholders
“Morimatsu Heavy Industry”	Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司), a company established in the PRC on 13 May 2008 with limited liability and an indirect wholly-owned subsidiary of the Company
“Morimatsu Holdings”	Morimatsu Holdings Co., Ltd. (森松ホールディングス株式會社), formerly known as Morimatsu Industry Co., Ltd. (森松工業株式會社), a company incorporated in Japan with limited liability on 2 May 1964, which is controlled by Morimatsu Group, and one of our Controlling Shareholders
“Morimatsu 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 a direct wholly-owned subsidiary of the Company
“Morimatsu Pharmaceutical Equipment”	Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd (上海森松製藥設備工程有限公司) (formerly known as Shanghai Morimatsu Pharmaceutical Equipment Company Limited (上海森松製藥設備有限公司)), a company established in the PRC with limited liability on 29 November 2001 and an indirect wholly-owned subsidiary of the Company
“Pharmadule Singapore”	Morimatsu Pharmadule (Singapore) Pte. Ltd., a private limited company established in Singapore on 16 January 2023 and a direct wholly-owned subsidiary of the Company
“Nomination Committee”	refers to the Nomination Committee of the Board
“photoresist”	refers to a resist-etched film material whose solubility changes through irradiation or radiation of ultraviolet light, electron beams, ion beams and X-rays, etc.
“Post-IPO Share Option Scheme”	refers to the post-IPO share option scheme adopted by the Company and became effective on 10 February 2021, the principal terms of which are summarized in “Statutory and General Information — D. Other Information — Post-IPO Share Option Scheme” in Appendix V to the Prospectus
“power battery”	refers to the ternary polymer lithium battery used in new energy vehicles, which is a kind of lithium battery with three elements: nickel salt, cobalt salt, and manganese salt/lithium aluminate as its cathode materials, graphite as its anode material, and mainly lithium hexafluorophosphate as its electrolyte

“PRC” or “China”	refers to the People’s Republic of China which, for the purpose of this interim 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/Interim Period”	refers to the period of six months from 1 January 2023 to 30 June 2023
“RM”	refers to Ringgit, the lawful currency of Malaysia
“RSU Scheme”	refers to the restricted share unit scheme adopted by the Company on 15 December 2021
“SEK”	refers to Swedish Krona, the lawful currency of Sweden
“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
“S\$”	refers to Singapore dollars, the lawful currency of Singapore
“Shareholders”	refers to holders of the Shares
“Shares”	refers to ordinary shares of the Company
“Singapore”	refers to the Republic of Singapore
“Stock Exchange”	refers to The Stock Exchange of Hong Kong Limited
“Sweden”	refers to the Kingdom of Sweden
“ternary cathode material”	means a power battery anode material consisting of ternary materials (typically NiCuMn or NiCoAl)
“U.S.”	refers to the United States of America
“USD” or “US\$”	refers to United States dollars, the lawful currency of the United States
“%”	per cent

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

# Management Discussion and Analysis

## DEVELOPMENT VISION AND MISSION STATEMENT

The Group is committed to becoming the world's leading supplier and service provider of core equipment, value-added services and digital intelligent plant solutions in the industrial field.

In assisting mankind's continuous pursuit of a healthier life, a greener environment and a smarter world, the Group provides core equipment, high-value-added process solutions, one-stop digital intelligent plant solutions (including process packages) as well as whole life-cycle sustained value services to the downstream industry, including joint research and development, technical consulting, technological optimisation, consumable solutions, establishment of digital operation and maintenance platforms, operation and maintenance, as well as continuous improvement, amongst others.

## BUSINESS, PRODUCT STRATEGY AND MARKET

The Group's principal activities are the design, manufacture, installation, operation and maintenance of core process equipment, process systems and total solutions mainly for chemical, biological and polymerization reactions (including process packages, detailed design, modular factory delivery, pre-sales and after-sales services, etc.). Currently, the Group provides services to downstream industries/fields including oil and gas, daily chemicals, new chemical materials, pharmaceuticals (including biopharmaceuticals and chemical synthesis drugs), raw materials of power battery (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.

The Group actively serves the innovation needs of downstream industries. With the rising demand for global environmental protection materials, sustainable energy and new biological agents, as well as the increase in global computing power, the Group continues to empower customers in different regions through diversified product formats (as demonstrated by the Group's MVP model) centred on the three development themes of "Healthy", "Green" and "Intelligent", in conjunction with technological updates and product iterations in the downstream industries.

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

### MVP Model

**Machines — Core Equipment:** The core equipment, designed to achieve theoretical heat and mass transfer in a large volume equipment, works to realise new material synthesis processes that are theoretically based and feasible at the practical laboratory level, at the process level production scale. These devices are primarily reactors in production facilities for different downstream products, including but not limited to bioreactors (for the field of biopharmaceuticals), oxidation reactors (for chemical industry), protein and microbial fermentation tanks (for field/industry in biopharmaceuticals and daily chemicals), hydrogenation reactors (for oil and gas refinery industry), molten salt reactors (for chemical industry), vapour deposition reactors (for the field of raw materials of photovoltaic and semiconductors), and high-pressure acid leaching reactors (for the field of raw materials for power batteries), among others.

**Values — Value Empowerment:** The Group understands the deep-rooted needs of the downstream industry, in addition to physical products, with the goal of value empowerment, the Group provide customers with a variety of forms of ancillary services and other services customised based on individual needs, including modular solutions, industrial small test and pilot test and desktop solutions, assist customers to achieve the optimal configuration in terms of technological feasibility, cost optimisation and means of delivery, while at the same time reducing the management and communication interfaces in the process of project execution and simplifying the project execution process and reducing execution risks. Looking to the future, the Group is working with its customers to promote device improvement and technology upgrading, and the application scenarios include modular overseas engineering centres in the field of raw materials for power batteries and pilot production plants for lithium battery raw materials, complete sets of process equipment for the daily chemical and bio-pharmaceutical industries/fields, modular products for processes in the oil and gas refining and chemical industries, and complete solutions in the field of semiconductor high-purity chemical reagents.

**Plants — Highly Integrated Systematic Solutions:** This is an extreme industrial product where the Group directly addresses the needs of customers for the commercial production of products, providing a one-stop (front-end service + physical product + back-end service) systematic solution, covering the entire production process from process design and plant design to core process equipment delivery, system manufacturing/installation/commissioning/certification to operation and maintenance management, as well as continuous optimization. These systematic solutions can cover the entire life cycle of specific products and technologies, and enhance upstream and downstream interconnectivity, maximizing the bonding between the Group and its customers, as well as continuously updating and iterating the Group's products and technologies in response to the continuous innovation needs of its customers. A one-stop systematic solution that is compatible with regulations and industry standards in multiple countries and maximizes in-plant manufacturing according to customer needs, with unique advantages in supply chain stability, project economics, and delivery security to help customers rapidly deploy capacity around the globe, deliver new technologies and launch new products. The Group's experience and strengths in the design and manufacture of core equipment in multiple fields and in the implementation of overseas projects for multiple markets further enhanced the reliability of systematic solutions. Application scenarios for systematic solutions include modern biopharmaceutical plants, factories for daily chemical products, fine chemical production plants and plants for the production of raw materials for power batteries.

## Management Discussion and Analysis

### MVP Solutions+ Strategy

The MVP Solutions+ strategy refers to the Group's business model that utilizes process packages as the technology carrier in the form of continual services, in addition to the above three specific types of products. Its advantages mainly include:

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

### Process Packages

Process package generally refers to Process Design Package (PDP), which usually consists of a set of technical process documents, which not only details product performance indicators and the process flow of production device, material and energy balance, process control interlocking, equipment layout, core equipment selection, electrical and instrumentation requirements, but also describes in details the requirements in material, environmental protection, safety and operational aspects, therefore is the most important programmatic and guiding documents in the synthetic materials process.

In addition to the above, the Group's process packages include engineered solutions for core equipment and on-site start-up (commissioning of the plant) service instruction documentation to maximize the operational performance of the complete system. Through research and development, technology introduction and joint development, the Group has original process package products mainly in the following fields:

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

During the Reporting Period, the Group successfully sold process packages as well as ancillary core equipment and engineering solutions for high purity reagents for lithium battery raw materials and semiconductor materials, signifying the Group's value enhancement in the industry chain of the downstream industries and the deepening of the strategic cooperation relationship with its customers. In addition, process packages and ancillary equipment for other industries are currently being delivered by the Group and are scheduled to commence operation within this year.

### **Continual Services**

In general, manufacturing enterprises need to rely on the continuous expansion of production capacity in the process of development to generate cost economies of scale, so as to increase their market share and improve their competitive advantages. Asset-heavy enterprises are usually constrained by the gradually strong non-general-purpose attributes, cyclical ups and downs of demand from the downstream industries, and intensified homogenization of competition in the process of development, which eventually leads to a continuous decline in profitability.

The Group's continual services include not only in-depth cooperation with downstream industrial customers in capital expenditure projects (through the MVP Solutions+ strategy), but also joint research and development, technical consultation, technical improvement, consumable solutions, construction of digital operation and maintenance platforms and operation and maintenance, etc. This continual service will maximize the multiple synergies between the Group and its customers in terms of strategy, value and development, and help the Group create long-term interactions with customers.

Through the digital operation and maintenance platform, the Group provides operation and maintenance and consumables management for the new technologies and devices of the downstream industry, realizes effective connection services with customers, tracks the technical performance of the Group's products and the operation of the customers' devices (e.g., production volume, quality, energy consumption, defects and failure rate) in a timely manner, and provides timely solutions for system maintenance, replacement of consumables and technological improvement. Through its existing digital platform development, application and management, the Group is also able to provide its customers with digital full life cycle services covering their new technologies and products, including digital research and development, design, manufacturing, delivery and operation and maintenance.

The provision of continual services to downstream customers at different stages of development is an effective tool to keep abreast of the latest downstream needs, industry trends and the second development curve of enterprises, and is also one of the Group's development strategies with long-term practice. The Group's subsidiaries in Asia, the Americas and Europe are able to provide global customers with continual services covering a wide range of cyclical needs at the stages of research and development, capital expenditure investment, operation and maintenance and upgrading.

## Management Discussion and Analysis

### CUSTOMER RELATIONSHIP AND DEVELOPMENT RESILIENCE

Customer relationships are one of the Group's most important assets, and the long-term trust of our customers is the driving force for the continuous growth of the Group.

The Group has maintained active interaction with its customers worldwide. The sales team, under the leadership of the executive directors of the Company, paid several visits to important overseas customers in various countries and achieved positive results in the overseas markets during the post-pandemic period. During the Reporting Period, the proportion of overseas orders among the Group's new orders was approximately 70.89%.

The Group's main business comes from the capital expenditure projects of various downstream industries, which relies on the Group's long-standing and good cooperative relationship with the leading enterprises in various industries. The needs of the leading enterprises in various industries represent the future development trend as well as the most cutting-edge technologies of the industries in which they operate, the Group's long-standing strategy of "running in tandem", which closely follows the development needs of the leading enterprises in various industries, could not only empower the downstream advanced technologies to materialize as soon as possible, but also continuously realize the Group's business objectives through cooperation in research and development, project implementation and in-depth development.

Since 1999, the Group has been actively engaging with leading enterprises and multinational companies from different industries, starting from participating in their domestic investment projects in China and gradually integrating into their international supply chains, and through more than 20 years of practice, the Group has realized the continuous value upgrade in the supply chains of many multinational enterprises. The Group maintains long-term relationships with many international leading enterprises in the traditional downstream industries (oil and gas refining, pharmaceutical, chemical and household chemical industries) and provides diversified products and services to the same customers in different countries and regions according to the development trend of the downstream industries. Meanwhile, in emerging fields such as raw materials for power batteries and electronic chemicals, the Group has leveraged on its comprehensive strengths accumulated in other industries to actively expand its business and technology horizontally, and has developed a variety of products and services, including process packages, core equipment and total solutions, to meet the needs of multinational enterprises for global capacity deployment.

Generally speaking, from entering the supply chain of a multinational enterprise to becoming a strategic partner in its global supply chain, it is necessary to go through the process of Audit — Qualification — Project Cooperation — Value Upgrade — Global Cooperation — Global Strategic Cooperation mostly around new technologies and new capabilities. This process is time-consuming and can take up to 10 or more years. Starting from the bottom of the supply chain, from low-cost solutions to the highest value point of the supply chain of a leading international company, it requires continuous proactive learning and lateral self-improvement of the Group, and ultimately the mutual empowerment of the Group and its customers on a global scale.

With the demand for overseas capital expenditure projects gradually recovering from the COVID-19 pandemic (the "**Pandemic**"), the Group has actively integrated itself into the investment needs of various sectors in the international market, engaging with customers on their investment needs at various stages through its global subsidiaries, and has successfully undertaken major overseas investment projects of different downstream industries during the Reporting Period. This not only signifies the effectiveness of the Group's strategy of balancing domestic and overseas markets, but also demonstrates the Group's resilience in overcoming short-term shortfalls in localized markets by consistently servicing the needs of multi-sector, multinational corporations with inherent cyclicity in their global capital expenditure projects.

Saturation (or even overcapacity) of production capacity in localized markets and the gradual entry of different industries into a downward cycle are far from uncommon in the course of the Group's development. The Group's resilience and dynamic development in overcoming cycles and transcending cycles by not relying on a single product, tilting towards a single market or a small number of customers over a long period of time are the key to the Group's continuous growth, which has been made possible by the continuous improvement of the value attributes of the Group's products, the strengthening of the continual service model and the expansion of the Group's deployment of overseas resources. In addition, the advantages of strong overall strength, firm customer adhesion, excellent platform building capability and strong ability to land opportunities ensure that the Group will seize the window of opportunities in the market and the industry, and enhance its anti-risk capability while realizing counter-cyclical and sustainable development.

### TRENDS IN GLOBAL MARKETS AND KEY INDUSTRY

The year 2023 is the first year of the global post-pandemic era and the year when the world economy picked up speed again after three years of slowdown. According to the World Trade Organization's "Global Trade Prospects and Data" released on 5 April 2023, the volume of global trade in goods is forecast to grow by 1.7% in 2023, higher than the 1% forecast in October last year. According to the World Economic Outlook released by the International Monetary Fund ("IMF") in January 2023, the global economy is forecast to grow at a rate of 2.9% in 2023, which is higher than the forecast of 2.7% made in October last year, and the global economic growth rate is forecast to rise to 3.1% in 2024. The chief economist of the IMF, Pierre-Olivier Gourinchas, is of the opinion that the risk of a global recession has declined, and the ability of central banks to control inflation has improved. According to the data released by the General Administration of Customs of China at the "Press Conference on Import and Export in the First Half of 2023" held on 13 July 2023, the total value of China's import and export of goods trade in the first half of 2023 amounted to approximately RMB20.1 trillion, representing a year-on-year growth of approximately 2.1%; among which, the total export amounted to approximately RMB11.46 trillion, representing a year-on-year growth of approximately 3.7%.

The Group has long served customer groups represented by multinational companies and leading companies in various industries, actively participated in their global investment projects, and continuously integrated into the international industrial chains of various industries. During the rapid recovery of demand for international trade, the Group's marketing and sales teams have been able to respond to the needs of various industries and countries in a timely manner and rapidly increase the proportion of overseas business in the overall operating revenue, especially by actively participating in the capital expenditure projects deployed by multinational corporations in various parts of the world, which are often characterized by high reliability and replicability, thus facilitating global replication and promotion within a short period of time.

### Power Battery Raw Materials

The Critical Raw Materials Act published by EU on 16 March 2023 specifically requires that by 2030, the EU shall be able to process at least 40% of the EU's annual consumption of strategic raw materials; and that, at any relevant stage of processing, the share of any one type of strategic raw material imported from a single third-party country in the EU's annual consumption must not exceed 65%. The Inflation Reduction Act released by U.S. on 16 August 2022 specifically requires that at least 40% of the key metal raw materials for electric vehicles be sourced or processed in U.S. or its free trade partners, and that at least 50% of the battery assembly or production be done in North America. According to the 26 February 2023 report by yicai.com, more than US\$90 billion of green investment has flowed into the U.S. since the passage of the Inflation Reduction Act, according to foreign media statistics.

## Management Discussion and Analysis

According to a research report dated 11 May 2023 from Huatai Securities Co., Ltd., as reported by Nihon Keizai Shimbun on 28 April 2023, Honda automaker Honda Giken Kogyo Co., Ltd. and battery maker GS Yuasa, a well-known brand, will be investing approximately 430 billion yen (approximately RMB22.03 billion) in the production of batteries for electric vehicles and household use; the two companies will build a new plant in Japan with a target capacity of at least 20 gigawatt hours (“GWh”). On 28 April 2023, Yasunori Nishimura, Minister of Industry of Japan, announced that the Japanese government plans to provide 184.6 billion yen (approximately US\$1.38 billion) in subsidies for eight proposals related to power batteries. On 21 April 2023, the Canadian government and a battery company owned by the Volkswagen Automobile Group announced that they would build a 90GWh cell plant in Ontario. On 2 April 2023, General Motors and Samsung SDI, a subsidiary of Samsung Group in the electronics field, announced a joint investment of US\$3 billion (RMB20.77 billion) to build a battery plant in the U.S. with an annual capacity of more than 30GWh, with the goal of starting operations in 2026.

The new round of capacity building for lithium batteries and its raw materials will provide opportunities for the Group’s continuous growth in this field.

### Biopharmaceutical CXO Industry

Although the development of China’s CXO industry is relatively late and the concentration of the industry is low, the growth rate of the industry in recent years has been significantly higher than that of developed markets. According to Frost & Sullivan’s “CDMO Industry Development Status and Future Trend Research Report” published on 28 September 2022, the global CDMO market scale was approximately US\$55.4 billion in 2020, from 2017 to 2021, the compound annual growth rate (“CAGR”) of the global CDMO market size is approximately 13%; and in 2020, China’s CDMO market scale was approximately RMB31.7 billion, the CAGR of the CDMO market size in China is approximately 38%. However, with the Pandemic gradually faded away from people’s daily life and social economy, the development of China’s CXO industry growth rate decreased significantly.

Although there are some unfavorable changes in the domestic CXO industry, the industry boom still persists from the perspective of overseas CXO operations. On 12 May 2023, Securities Market Weekly’s official Baidu account reported that, according to the statistics of Huaxi Securities Co., Ltd., in 2022, the 12 focused overseas CXO companies realized operating revenue of approximately US\$51.769 billion, representing an increase of approximately 8.3% year-on-year, the CAGR was approximately 13.7% from 2019 to 2022; of which, the CRO business, CDMO business, laboratory business realized operating revenues of approximately US\$33,903 million, US\$15,069 million and US\$2,797 million respectively, representing year-on-year growth of approximately 6.4%, 11.1% and 16.5% respectively, and a CAGR of approximately 11.4%, 19.5% and 14.2% respectively from 2019 to 2022. The capital expenditure of overseas CDMO companies increased from approximately US\$1.24 billion in 2019 to approximately US\$3.47 billion in 2022, and well-known brands of biopharmaceutical CDMO companies, Lonza, WuXi Biologics, Samsung BioTechnologies, Fuji, and Boehringer Ingelheim are expected to increase their overall capacity in 2026 to approximately 1.785 times of their capacity in 2022. In addition, Charles River, a well-known brand engaged in the laboratory business, has an on-hand order size of approximately US\$3.1 billion in 2022, representing an year-on-year increase of approximately 32%.

In recent years, the Group has participated in a number of capital expenditure projects of leading CXO and biopharmaceutical companies. With rich international project experience, a well-established large-scale biopharmaceutical engineering team, as well as technical talents all over the world, the Group can provide more reliable advanced industrial products and total plant solutions in line with international standards for the continuous expansion of the CXO industry.

### Semiconductor materials

Semiconductor materials include wafer fabrication materials and packaging materials. Wafer fabrication materials include semiconductor silicon wafers, photomasks, wet electronic chemicals (high-purity chemical reagents,) special gases, photoresists, targets and chemical mechanical polishing materials. Packaging materials include lead frames, packaging substrates, ceramic packaging materials, bonding wires, packaging materials and chip bonding materials. Wet chemicals are mainly used in the semiconductor manufacturing process for IC front-end wafer fabrication and back-end packaging and testing. Although their usage is relatively small, the purity of their products requires high purity and has a large amount of value. The overall indigenous production rate of wet electronic chemicals is relatively low, according to the data of China Electronic Materials Industry Association (“**CEMIA**”), in 2020 its overall indigenous production rate was approximately 23%, among them, the indigenous production rate of wet electronic chemicals for 8-inch and above wafer manufacturing was less than 20%; according to the research report of Dongxing Securities Co., Ltd., the indigenous production rate of the more critical semiconductor photoresist was less than 5%.

According to the research report of Guoxin Securities Co., Ltd. released on 26 April 2023, the data of CEMIA shows that the total volume of wet electronic chemicals used in the world reached approximately 4,583,000 tons in 2021, and the main driving force for the growth of global wet electronic chemicals demand in the future comes from the completion of a number of wafer fabs and the development of organic light-emitting diode (OLED) panel industry, and it is expected that the total global demand for wet chemicals will reach approximately 6,972,000 tons by 2025. At present, the global wet chemicals market in Europe and the United States traditional veteran enterprises has a market share of approximately 31%, the Japanese enterprises has a market share of approximately 29%, and enterprises from Korea and China has a market share of approximately 39%.

According to the research report of Everbright Securities Co., Ltd. released on 25 March 2023, based on the data and forecast of Reportlinker, the global photoresist market size will increase from approximately US\$8.2 billion to approximately US\$12.3 billion from 2019 to 2026, with a CAGR of approximately 6.0%; the photoresist market size in mainland China will increase from approximately RMB8.1 billion to approximately RMB15.3 billion, with a corresponding CAGR of approximately 9.5%. As regards semiconductor photoresist, the global semiconductor photoresist market growth rate is much higher than the global photoresist market size growth rate, and at the same time, the share of semiconductor photoresist within the total of photoresist is also increasing. According to the data of International Semiconductor Industry Association, the global semiconductor photoresist market size will reach approximately US\$2.471 billion in 2021, with a year-on-year growth of approximately 19.49% and a CAGR of approximately 12.03% from 2015 to 2021, and the share of global semiconductor photoresist in the total of global photoresist also increased from approximately 21.9% in 2019 to approximately 26.9% in 2021. Meanwhile, by region, the semiconductor photoresist market in mainland China continues to maintain the fastest growth rate in the world. In 2021, the semiconductor photoresist market in mainland China will reach approximately US\$493 million, representing a year-on-year growth of approximately 43.7%, more than twice the year-on-year growth rate of the global semiconductor photoresist. The share of China's semiconductor photoresist market size in the global semiconductor photoresist market size also increased from approximately 10.4% in 2015 to approximately 20.0% in 2021.

Through various channels such as technology introduction, joint research and development of enterprises and independent innovation, the Group is now capable of providing production processes, core equipment and total solutions for semiconductor grade electronic chemicals, and has completed the delivery of the relevant products and ancillary services in a number of countries.

## Management Discussion and Analysis

### BUSINESS DATA REVIEW

During the Reporting Period, the Group's financial data continued to grow and showed an increase in sales revenue, gross profit, net profit and orders on hand as compared to the same period in 2022. Among which, operating revenue was approximately RMB3,691,759,000, representing a year-on-year increase of approximately 24.5%; net profit attributable to owners of the parent company was approximately RMB422,346,000, representing a year-on-year increase of approximately 39.5%.

During the Reporting Period, the Group's sales revenue and new orders were mainly derived from the following industries/ fields: (1) raw materials for power batteries; (2) biopharmaceuticals; (3) new chemical materials; and (4) electronic chemicals. As of 30 June 2023, the Group had orders on hand with a total amount of approximately RMB9,866,457,000 and new orders with a total amount of approximately RMB4,922,003,000.

Facing the post-pandemic period which is unveiling slowly, all employees of the Group, under the leadership of the Board of Directors, have been sailing against the tide, facing the wind and breaking the waves, and have continued to set new record highs in various key indicators in the face of the slowly unfolding post-pandemic period. Looking ahead to the second half of 2023, the Group will continue to utilize its effective production capacity, continue to deliver new capacity as planned, and capitalize on the rapid development period of its major customers and the inherent investment cycle of the leading companies in various industries, so as to continue to maintain its good business performance.

### ADDITIONS AND EXPANSIONS OF PRODUCTION CAPACITY

#### Changshu Manufacturing Base

The first phase of the Group's high-end equipment manufacturing base project of Morimatsu LifeSciences in Changshu, Suzhou, Jiangsu Province, which is approximately 130,000 square meters in size, is expected to begin partial trial operations in the third quarter of 2023 and delivered in the fourth quarter of 2023. Upon commencement of production, the manufacturing base will mainly provide high-end process equipment and digitalized complete sets of equipment for the fields of biopharmaceutical and wet electronics chemicals, daily chemical industry and other precision industries with high cleanliness requirements. Based on the current market supply and demand as well as the Group's orders at hand, the Group expects that the new production capacity will be fully utilized.



*Changshu Manufacturing Base*

### Malaysia Manufacturing Base

The manufacturing facility of the Group's joint venture company, Morimatsu Dialog, located in Pengerang, Malaysia (the "**Malaysia Manufacturing Base**"), is progressing steadily according to plan. It has currently received orders from North America, Europe and Asia, which are mainly from the electronic chemicals industry (semiconductor materials — high purity chemical reagents) and the power battery raw materials field (recovery of solvents, configuration of electrolyte and production of additives). The Group plans to utilize the available funds to further expand the production capacity of Morimatsu Dialog as an overseas extension of the Group's overall production capacity to more effectively reach the North American market and other regions and serve the power battery raw materials field, oil and gas refining industry, chemical industry and pharmaceutical (including biopharmaceuticals) industry in these areas.



*Malaysia Manufacturing Base (design renderings)*

### TALENT AND RESEARCH AND DEVELOPMENT

"Invest", "Build" and "Develop" are the three key words in the Group's talent strategy.

Talent is the Group's most valuable asset and investment in talent is the Group's most important investment item. During the Reporting Period, the Group had a total of over 4,000 employees, of which over 600 were research and development personnel.

The Group's employees engaged in technical and process-related work can be divided into the following three categories:

- (1) Process personnel, who are process designers in a particular downstream industry/field. This category of personnel directly serves the customers' process needs, including final product quality, production volume, and production energy consumption and other key economic indicators. The nature of the work of this type of personnel does not have a high degree of industry versatility, so they are usually composed of industry-specific specialists.

## Management Discussion and Analysis

- (2) Engineering personnel, who are personnel with specialized knowledge in various fields such as equipment, plumbing, electrical and instrumental controls, or construction to serve the requirements of the process. These personnel assist craftspeople in the completion of engineering products and ancillary services required by customers' processes. The nature of the work of such personnel has a high degree of industry versatility, and can serve all the current industry segments of the Group.
- (3) Manufacturing personnel, who are employees serving on the production line. Such personnel carry out manufacturing and construction work in accordance with the drawings prepared by engineers and construction procedures (including safety, quality and progress requirements). The nature of the work of such personnel has a high degree of industry versatility, and can serve the needs of the vast majority of the Group's current industry product manufacturing.

By maintaining and strengthening the Group's staffing structure to ensure maximum versatility of talents, the Group has enhanced the cross-sectoral service capability of its staff during the rapid development stage of the enterprise, thus further strengthening the enterprise's anti-cyclical capability. During the Reporting Period, the Group sent a number of key technical personnel to renowned universities in China and Japan to participate in university-enterprise collaborative research and development projects (targeting the development and application of new materials in various industries) while pursuing their doctoral degrees. At the same time, the Group continued to accelerate its internationalization, with the Singapore subsidiary and the Malaysia joint venture company entering a period of rapid development and the number of staff rising rapidly in tandem with the expansion of business volume; while the subsidiaries in India, Europe and Japan maintained a steady development, continuing to serve the Group's customers and projects around the world.

The Group continued to support its internal venture teams by providing platform-type incubation services on the basis of open sharing of resources and markets to facilitate the development of new products and technologies, covering fields such as new materials, biopharmaceuticals, advanced industrial equipment and industrial automation technologies. Among them, the entrepreneurial team for the development of disposable bioreaction technology and related products has become a legal person in the form of a subsidiary of the Company, and successfully realized operating revenues.

Through the establishment of joint laboratories with downstream enterprises, cooperative development projects with renowned universities and internal independent innovation, the Group's research and development team has continued to develop new technologies and devices in the fields of (1) industrial automation technologies for advanced manufacturing; (2) process design and engineering of biological and new pharmaceutical technologies; (3) production process systems for advanced biological vaccines; (4) disposable biological reaction systems (including consumables); (5) production system of new lithium battery ternary cathode materials; (6) design and manufacturing of new industrial high-end process equipment; (7) new green energy production technologies and devices; (8) production technologies and devices of new semiconductor industry-related materials; and (9) synthesis technologies and production systems of new materials (e.g., sustainable energy and green fuels, etc.).

### THROUGH THE CYCLE TO PURSUE CONTINUOUS GROWTH

With our long term philosophy to “keep in line with leading companies, balance internal and external markets and valued service as a priority”, despite the fact that some downstream industries/fields in China (especially pharmaceuticals, raw materials for power batteries and electronic chemicals) were saturated or even overcapacitated during the post-pandemic period, resulting in a significant year-on-year decline in demand, the Group still managed to achieve considerable new contract volume from a number of downstream industries during the Reporting Period. The types of products and services involved in the Group’s new contracts are becoming more diversified and more closely related to the downstream industries, making the Group increasingly resilient to risk and the cyclicity of individual industries, and realize overall counter-cyclical growth. The Group serves the inherent investment cycles of leading enterprises in various industries and the development needs of new technologies and new products, and directly addresses the future value needs of its downstream customers, pursuing long-term corporate strategic alignment with its customers, which in turn continuously drives the Group to develop new products and provide continual services throughout the entire technological lifecycle of the new products.

The global economic development in the post-pandemic period has opened up a new window of demand for the continuous growth of the Group’s revenue, especially in industries related to renewable energy, environmental materials, green health and smart computing, which have witnessed a significant investment boom globally. Thanks to its long-standing market reputation, technological know-how, talent strength and industry accumulation, and the strong development vitality given to the Group by internationalization and diversification, the Group is still able to adjust its resource allocation in the shortest possible time to serve more active relevant markets in the event of a significant imbalance between domestic and overseas demand. From lowered demand in 2021 and 2022 to heavy demand in 2023, the Group has once again demonstrated its ability to weather the headwinds and go through the cycles, blossoming in a number of downstream industries in overseas markets, and integrating into the global supply chain within different systems with its strong technological edge and sufficient service resources.

At a time when the momentum of global industrial development is picking up speed, especially in the fields of non-traditional energy, renewable materials, advanced biomedicine and semiconductor materials, there is a diversification in the types of end demand, the origins of raw materials as well as a diversification in the supply chain. The Group will continue to capitalize on its technology reserves and research and development capabilities in its global footprint, abundant hardware production capacity in the Asia-Pacific region as well as rich customer and market resources to maintain a steady growth trend in operating revenue, and carry out further value penetration into new products and new technological needs of the downstream industries to continuously increase the share of service-based revenue.

The Group will make full use of the newly built production capacity of the Changshu and Malaysia manufacturing bases to actively participate in the new round of technological changes and product iterations in a number of industries around the world, providing advanced products and services to meet the needs of customers from different countries, and contributing to the establishment of a healthier society, a greener environment and a smarter life.

The Group will continue to deepen the implementation of its existing talent strategy, cultivate talents through various means, and actively strive to incubate new technologies, new products and new development entities, so as to lead the industry and carry out global layout, and realize dynamic development and sustainable growth in multiple tracks and fields.

## Management Discussion and Analysis

All in all, the Group will continue to strengthen its Alpha Strategy, enhance its international coverage, and continue to meet the needs arising from future development and technological innovation around the globe, thereby enabling the Group to diversify and minimize the impacts of saturated capacity or shrinking demand in a single market and industry. With the recovery of global economy to pre-pandemic levels, we have seen emerging market opportunities in the downstream around the globe. Emerging applications in fields such as sustainable energy and materials, “green, health and intelligence” also thrive in the broader market. The business strategy to “serve the world, serve innovation and the needs of leading enterprises in the long run” will continue to empower the Group with foresight in dynamic market expectations and resilience to defy the risks due to market cycles, and will ultimately ensure our achievement in its long-term growth objectives.

### FINANCIAL DATA

#### Revenue

The Group’s revenue increased by approximately 24.5% from approximately RMB2,964,865,000 for the six months ended 30 June 2022 to approximately RMB3,691,759,000 for the six months ended 30 June 2023. Such increase was mainly attributable to the increased orders from the electronic chemicals, pharmaceuticals and other industries.

Revenue	Six months ended 30 June				Increase RMB'000	Year-on-year change
	2023 RMB'000 (unaudited)		2022 RMB'000 (unaudited)			
		Proportion		Proportion		
Electronic chemical	<b>657,367</b>	<b>17.8%</b>	272,742	9.2%	384,625	141.0%
Chemical	<b>774,064</b>	<b>21.0%</b>	860,220	29.0%	-86,156	-10.0%
Family care*	<b>183,271</b>	<b>5.0%</b>	63,412	2.1%	119,859	189.0%
Raw materials of power battery#	<b>463,927</b>	<b>12.6%</b>	374,343	12.6%	89,584	23.9%
Oil and gas refinery	<b>221,536</b>	<b>6.0%</b>	77,059	2.6%	144,477	187.5%
Pharmaceutical and biopharmaceutical	<b>1,318,816</b>	<b>35.7%</b>	1,131,757	38.2%	187,059	16.5%
Others	<b>72,778</b>	<b>1.9%</b>	185,332	6.3%	-112,554	-60.7%
<b>Total</b>	<b>3,691,759</b>	<b>100.0%</b>	2,964,865	100.0%	726,894	24.5%

\* 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.

## Cost of Sales

The cost of sales of the Group increased by approximately 23.3% from approximately RMB2,176,441,000 for the six months ended 30 June 2022 to approximately RMB2,682,667,000 for the six months ended 30 June 2023. The increase in cost of sales was basically in line with that of the Group's revenue.

Cost of Sales	Six months ended 30 June				Increase RMB'000	Year-on-year change
	2023 RMB'000 (unaudited)	Proportion	2022 RMB'000 (unaudited)	Proportion		
Raw materials and consumables	<b>1,815,889</b>	<b>67.7%</b>	1,446,587	66.5%	369,302	25.5%
Direct labour cost	<b>251,526</b>	<b>9.4%</b>	231,631	10.6%	19,895	8.6%
Outsourcing fees	<b>238,855</b>	<b>8.9%</b>	179,804	8.3%	59,051	32.8%
Installation and repair cost	<b>237,553</b>	<b>8.9%</b>	193,694	8.9%	43,859	22.6%
Depreciation	<b>35,171</b>	<b>1.3%</b>	30,550	1.4%	4,621	15.1%
Impairment losses on assets	<b>4,034</b>	<b>0.2%</b>	-268	0.0%	4,302	-1,605.2%
Others (indirect labour cost + design fees)	<b>99,639</b>	<b>3.6%</b>	94,443	4.3%	5,196	5.5%
<b>Total</b>	<b>2,682,667</b>	<b>100.0%</b>	2,176,441	100.0%	506,226	23.3%

## Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately 28.0% from approximately RMB788,424,000 for the six months ended 30 June 2022 to approximately RMB1,009,092,000 for the six months ended 30 June 2023, representing a gross profit margin of approximately 27.3%. The growth in gross profit was slightly higher than the growth in revenue, which was mainly attributable to the improvement in production efficiency of the Group.

## Other Income

Other income of the Group decreased by approximately RMB32,028,000 from approximately RMB46,149,000 for the six months ended 30 June 2022 to approximately RMB14,121,000 for the six months ended 30 June 2023, which was mainly attributable to the increase in foreign exchange losses.

## Selling and Marketing Expenses

The selling and marketing expenses of the Group decreased by approximately RMB16,451,000 from approximately RMB95,437,000 for the six months ended 30 June 2022 to approximately RMB78,986,000 for the six months ended 30 June 2023, which was mainly attributable to the decrease in the commissions paid to third parties as a result of the gradual completion of certain projects with high commissions. Selling and marketing expenses as a percentage of total revenue was approximately 2.1% for the six months ended 30 June 2023 (corresponding period in 2022: 3.2%).

## Management Discussion and Analysis

### General and Administrative Expenses

General and administrative expenses of the Group increased by approximately RMB40,687,000 from approximately RMB228,481,000 for the six months ended 30 June 2022 to approximately RMB269,168,000 for the six months ended 30 June 2023, which was mainly attributable to (1) the continuous expansion of the business scale of the Group and the increase in the number of managerial and administrative staff, which led to the subsequent increase in salary and benefit expenses; and (2) the increase in travel expenses and representation allowance increased after the lifting of travel restrictions and quarantine measures relating to the Pandemic since late December 2022. Administrative expenses as a percentage of total revenue was approximately 7.3% for the six months ended 30 June 2023 (corresponding period in 2022: 7.7%).

### Research and Development Expenses

The research and development expenses of the Group increased by approximately RMB22,585,000 from approximately RMB145,505,000 for the six months ended 30 June 2022 to approximately RMB168,090,000 for the six months ended 30 June 2023, which was mainly attributable to (1) the increase of over 100 headcounts in research and development personnel of the Group as compared to the same period last year, resulting in an increase in research and development labor costs; and (2) the increase in investment in research and development by the Group in new energy and energy-saving technologies, which resulted in an increase in research and development materials and trial production investment as compared to the corresponding period in 2022.

### Income tax expense

The income tax expense of the Group increased by approximately RMB36,709,000 from approximately RMB38,692,000 for the six months ended 30 June 2022 to approximately RMB75,401,000 for the six months ended 30 June 2023. The Group's effective tax liability for income tax was approximately 15.2% for the six months ended 30 June 2023, representing an increase of approximately 3.9% from approximately 11.3% for the corresponding period in 2022, which was mainly attributable to (1) a decrease in the percentage of expenses deductible for tax deduction; and (2) an increase of mainland Chinese withholding tax expense.

### Net Profit and Net Profit Margin

Due to the combined effect of the foregoing, the net profit of the Group increased by approximately RMB118,493,000 from approximately RMB302,536,000 for the six months ended 30 June 2022 to approximately RMB421,029,000 for the six months ended 30 June 2023. The Group's net profit margin for the six months ended 30 June 2023 was approximately 11.4%, representing an increase of approximately 1.2% as compared to that of approximately 10.2% for the corresponding period ended 30 June 2022.

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

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

## EBITDA and Adjusted EBITDA

EBITDA for the six months ended 30 June 2023 was approximately RMB573,450,000, representing an increase of approximately RMB172,803,000, or an increase of approximately 43.1%, as compared to the EBITDA of approximately RMB400,647,000 for the six months ended 30 June 2022. Excluding the share-based payments, adjusted EBITDA for the six months ended 30 June 2023 was approximately RMB626,959,000, representing an increase of approximately RMB156,887,000, or an increase of approximately 33.4%, as compared to the adjusted EBITDA of approximately RMB470,072,000 for the six months ended 30 June 2022.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net profit for the period	<b>421,029</b>	302,536
Add: Income tax expenses	<b>75,401</b>	38,692
Interest expenses	<b>7,339</b>	7,900
Depreciation	<b>62,343</b>	43,672
Amortisation	<b>7,338</b>	7,847
EBITDA for the period	<b>573,450</b>	400,647
Add: Share-based payments	<b>53,509</b>	69,425
Adjusted EBITDA for the period	<b>626,959</b>	470,072

## Trade and Other Receivables

The Group's trade and other receivables decreased by approximately 8.0% from approximately RMB1,165,785,000 as at 31 December 2022 to approximately RMB1,071,959,000 as at 30 June 2023, which was mainly attributable to the decrease in prepayments as some of the orders on hand had not yet commenced large-scale purchase of raw materials.

## Contract assets

The Group's contracted assets decreased by approximately 4.9 % from approximately RMB830,927,000 as at 31 December 2022 to approximately RMB789,971,000 as at 30 June 2023, which was mainly attributable to (1) the decrease in the number of items for which control was transferred over time among the orders under production; and (2) certain large amount orders reached the contractually agreed threshold for collection payment.

## Inventory

The Group's inventories increased by approximately 7.6% from approximately RMB2,213,728,000 as at 31 December 2022 to approximately RMB2,381,514,000 as at 30 June 2023, which was mainly attributable to the increase in orders under production, the control of which shall be transferred at the point of time.

## Management Discussion and Analysis

### Contract liabilities

The contract liabilities of the Group decreased by approximately 2.4% from approximately RMB2,890,048,000 as at 31 December 2022 to approximately RMB2,821,847,000 as at 30 June 2023 as a result of the recognition of revenue from certain large sum orders.

### Liquidity and Capital Resources

The balance of cash and cash equivalents of the Group was approximately RMB1,932,305,000 as at 30 June 2023, which was mainly denominated in RMB, USD, HKD, JPY and EUR, representing an increase of approximately RMB561,946,000 as compared with approximately RMB1,370,359,000 as at 31 December 2022. The Group purchased short-term financial products issued by banks with idle funds under the premise of ensuring liquidity, and the outstanding amount as at 30 June 2023 was approximately RMB480,635,000.

The liquidity of the Group mainly includes 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 business working capital and capital expenditures.

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

As at 30 June 2023, the Group's total banking facilities amounted to RMB2,115,000,000, US\$146,314,000, SEK300,000,000, HK\$93,000,000 and JPY16,400,000,000 (equivalent to approximately RMB4,281,388,000 in aggregate), and utilized banking facilities amounted to approximately RMB869,790,000, US\$54,324,000, EUR3,094,000, HK\$93,000,000 and JPY82,000,000 (equivalent to approximately RMB1,376,549,000 in aggregate), and the unutilized banking facilities amounted to approximately RMB2,904,839,000.

### Borrowings and Gearing Ratio

The aggregated borrowings of the Group decreased by approximately 10.0% from approximately RMB444,233,000 as at 31 December 2022 to approximately RMB399,788,000 as at 30 June 2023, and the borrowings were mainly used to pay for a portion of the amount required for the construction of projects.

As at 30 June 2023, the interest rates of the Group's borrowings ranged from 3.73% to 6.29%, of which approximately RMB180,240,000 were fixed rate borrowings and approximately RMB219,548,000 were variable rate borrowings. Borrowings denominated in RMB amounted to approximately RMB313,578,000, of which approximately RMB180,378,000 will be due within 1 year and approximately RMB133,200,000 will be due between 2 and 5 years; borrowings denominated in HK\$ amounted to approximately RMB86,210,000, of which approximately RMB466,000 will be due within 1 year and approximately RMB85,744,000 will be due after 1 year but within 2 years.

Gearing ratio is calculated using interest-bearing borrowings divided by total equity. The gearing ratio of the Group decreased from approximately 15.7% as at 31 December 2022 to approximately 10.2% as at 30 June 2023, mainly due to the increase in reserves as a result of the increase in equity and earnings during the Reporting Period.

### Charges on the Group's Assets

As at 30 June 2023, there were no charges on the Group's assets.

### Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

### Issue of Equity Securities

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**").

## Management Discussion and Analysis

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

	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	Amounts of the Net Proceeds from the Subscription utilized during the Reporting Period RMB'000	Unused Net Proceeds from the Subscription as at 30 June 2023 RMB'000	Estimated timing for utilizing the remaining Net Proceeds from the Subscription
Construction of Changshu Manufacturing Base	327,335	283,603	50.0%	<b>173,690</b>	<b>109,913</b>	By the end of 2023
Construction of Malaysia Manufacturing Base*	261,868	226,883	40.0%	—	<b>226,883</b>	By the end of 2024
Expansion of European Market	32,733	28,360	5.0%	—	<b>28,360</b>	By the end of 2024
General working capital	32,733	28,360	5.0%	<b>28,360</b>	—	
Subtotal	654,669	567,206	100.0%	<b>202,050</b>	<b>365,156</b>	

\* The Malaysia Manufacturing Base is the Group's overseas outpost which actively relies on the resources of Southeast Asia to cope with global trade. In order to further expand the production capacity of the Malaysia Manufacturing Base, the Group plans to increase the area of the production site in the Malaysia Manufacturing Base and carry out renovation and upgrading, with the construction commencing in the second half of 2023. The Malaysia Manufacturing Base will serve as a useful supplement to the Group's overseas production capacity.

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

Save as disclosed above, the Company did not have any other issuance of equity securities (including securities convertible into equity securities) for cash during the Reporting Period.

### Significant Investments, Acquisitions and Disposals

On 16 January 2023, the Company established a new wholly-owned subsidiary, Pharmadule Singapore, which is primarily engaged in providing technical and service support for the Group's business expansion in Southeast Asia. As at 30 June 2023, the registered capital of Pharmadule Singapore was S\$500,000.

On 24 February 2023, the board of Morimatsu Technology and Service Company Limited, a subsidiary of the Company, resolved to increase the capital contribution to Morimatsu Dialog by RM5,610,000. As at 30 June 2023, the share capital of Morimatsu Dialog was RM25,000,000.

On 30 May 2023, Morimatsu Heavy Industries, a subsidiary of the Group, and seven partners established An Yi Morimatsu Gao Kun Number One Venture Capital Fund Partnership (Limited Partnership) in the PRC, which is principally engaged in activities such as equity investment and investment management. As at 30 June 2023, the capital contribution of the partnership was RMB20.2 million, in which the Company indirectly accounted for 24.75%.

During the Interim Period, pursuant to an investment agreement, Morimatsu Pharmaceutical Equipment, a subsidiary of the Group, completed a capital contribution of RMB20 million to its associate namely Jiangsu Qunchuang Wisdom New Material Co., Ltd (江蘇群創智慧新材料有限公司).

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the Reporting Period, and the Group had no future plan for material investments or capital assets as at 30 June 2023.

### Important Events after the Reporting Period

On 3 August 2023, the Group established a new subsidiary, Shanghai Morimatsu Hi-Purity Neo-Tech Co., Ltd. (上海森松皓純新材料科技有限公司), which is principally engaged in the development and sales of high-purity chemical reagent production technology and equipment. The registered capital of the company is RMB10 million, and the Company indirectly holds 88% equity interest in the company.

Save as disclosed above, as at the date of this report, the Group has no material events after the Reporting Period.

### Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of over 4,000 employees, including over 600 employees in research and development, accounting for more than 13% of the total number of employees. The Group has a well-established remuneration and benefit system as required by law as well as an effective performance assessment system, and determines the remuneration of its employees based on their positions and performance. The Group's remuneration policies seek to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool.

The Company has also adopted a Pre-IPO Share Option Scheme, a Post-IPO Share Option Scheme and a RSU Scheme. 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.

## Management Discussion and Analysis

### Market Risk

The Group's market risk is mainly from the cyclical development of downstream markets and industries, such as traditional energy products, traditional chemical products, etc. However, the Group maintains diversification in markets and products, and its rich downstream markets and large customer base could enable the Group to make full use of the investment cycles of different industries and customers, embedding its existing capacity into the investment cycles of different fields and maintaining a steady and stable growth of its business.

### Foreign Exchange Risk

The Group's revenue is mainly denominated in RMB, USD and EUR, and most of the raw materials and capital expenditure are denominated in RMB. 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 implements the practice of entering into sales orders with customers that settle with offshore RMB to minimize the exposure to foreign exchange risk.

### Material Litigations and Arbitration Matters

As at 30 June 2023, the Company has no material litigations and arbitration matters.

### Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in note 8 to the unaudited interim financial report.

### Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries conducted any purchase, sale or redemption of any listed securities of the Company during the Interim Period.

### Dividend

The Directors resolved not to declare the payment of any interim dividend for the six months ended 30 June 2023.

### Public Float

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

## 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 utilised the Net Proceeds as the table below:

Purposes	Net Proceeds actually allocated HK\$'000	Net Proceeds actually allocated RMB'000	Allocation of net proceeds as a percentage of total	Unused Net Proceeds as of 31 December 2022 RMB'000	Net Proceeds utilized during the Reporting Period RMB'000	Unused Net Proceeds as of 30 June 2023 RMB'000	Estimated timing for utilizing the remaining Net Proceeds
Improve production capacity and modular manufacturing capability	412,014	342,957	60.0%	—	—	—	
Improve and expand service and digital service capabilities	90,679	75,481	13.2%	36,270	19,601	16,669	By the end of 2023
Continue to implement internationalization strategy	82,436	68,619	12.0%	43,181	14,216	28,965	By the end of 2024
Investment in underlying research and development from 2021 to 2023	32,974	27,448	4.8%	—	—	—	
General working capital	68,587	57,091	10.0%	—	—	—	
Subtotal	686,690	571,596	100.0%	79,451	33,817	45,634	

## PRE-IPO SHARE OPTION SCHEME

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

### (1) Purpose

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

### (2) Grantee

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

## Management Discussion and Analysis

### **(3) Maximum number of Shares to be allotted**

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 132,380,000 shares, representing approximately 11.22% of the issued shares of the Company as at the date of this report.

### **(4) Subscription price**

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

### **(5) Exercise period**

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

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

### **(6) Term**

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

### **(7) Right to cancel options**

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

## Exercise of share options

The Company adopted a Pre-IPO Share Option Scheme on 1 July 2020, details of the Pre-IPO Share Option Scheme are set out in Appendix V to the Prospectus. As at 30 June 2023, all share options had been granted under the Pre-IPO Share Option Scheme, and no share options had been canceled. 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 2023	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 30 June 2023
<b>Directors</b>						
Matsuhisa Terumoto	16,810,000	16,810,000	—	—	—	16,810,000
Nishimatsu Koei	11,315,000	10,815,000	1,100,000	0.0001	—	9,715,000
Kawashima Hirota	3,960,000	3,960,000	—	—	—	3,960,000
Hirazawa Jungo	3,400,000	3,400,000	—	—	—	3,400,000
Tang Weihua	7,920,000	6,336,260	—	—	—	6,336,260
Sheng Ye	7,920,000	6,336,000	92,691	0.0001	—	6,243,309
<b>Subtotal</b>	51,325,000	47,657,260	1,192,691	—	—	46,464,569
<b>Associates of Directors of the Company or its subsidiaries</b>						
Matsuhisa Hideo	4,200,000	4,200,000	1,000	0.0001	—	4,199,000
<b>Other 20 employees</b>	76,855,000	62,280,052	1,064,016	0.0001	—	61,216,036
<b>Total</b>	132,380,000	114,137,312	2,257,707	—	—	111,879,605

During the Reporting Period, the number of shares of the Company issued under the Pre-IPO Share Option Scheme amounted to 26,476,000 shares, representing approximately 2.24% of the issued shares of the Company as at 30 June 2023. For share options exercised during the Reporting Period, the weighted average closing price on the date immediately prior to the exercise was approximately HK\$6.34.

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

As at the date of this report, the remaining life of the Pre-IPO Share Option Scheme is approximately eight (8) years.

## Management Discussion and Analysis

### POST-IPO SHARE OPTION SCHEME

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

#### (1) Purpose

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

#### (2) Eligibility of Participants

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

#### (3) Maximum number of Shares

- 1) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.
- 2) Subject to paragraphs (3) 1), 4) and 5), at the time of adoption of the Post-IPO Share Option Scheme or any new share option scheme (the “**New Scheme**”) by our Company, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the New Scheme and all schemes existing at such time (the “**Existing Schemes**”) of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”). As at the date of this report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 100,000,000 Shares, representing 8.47% of the Shares in issue as at the date of this report.
- 3) For the purposes of calculating the Scheme Mandate Limit under paragraph (3) 2), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

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

#### **(4) Maximum number of options to any one individual**

No option shall be granted to any Eligible Persons (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon the exercise of all options (granted and proposed to be granted, whether exercised, canceled or outstanding) to 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 is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- 1) such grant has been duly approved, in the manner specified by the relevant provisions of Chapter 17 of the Listing Rules, by 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 our Company at which the same are approved.

## Management Discussion and Analysis

### (5) Price of Shares

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

### (6) Granting options to related persons

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

### (7) Restrictions on the time of grant of options

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

### **(8) Time of exercise of option**

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as the Board may think fit (to be stated in the offer letter), including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Post-IPO Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to 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 our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that it is exercised in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice shall be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Post-IPO Share Option Scheme. Subject to earlier termination by our Company in 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 Targets**

The Board may from time to time require a specific grantee to first meet certain performance targets specified at the time of grant of an option before exercising any option granted under the Post-IPO Share Option Scheme. The terms of the Post-IPO Share Option Scheme do not provide for the specific performance targets and the Board is not currently in a position to determine the relevant restrictions on the exercise of options granted under the Post-IPO Share Option Scheme.

During the period from the Listing Date to 30 June 2023, no share options have been granted, exercised, canceled or lapsed under the Post-IPO Share Option Scheme and there are no outstanding share options under the Post-IPO Share Option Scheme. Accordingly, the number of shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue is nil.

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

As at the date of this report, the remaining life of the Post-IPO Share Option Scheme is approximately eight (8) years.

## Management Discussion and Analysis

### RSU SCHEME

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

#### (1) Purpose

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

#### (2) Participants

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

#### (3) Management Plan

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

#### (4) Duration and Termination

The RSU Scheme shall be effective and valid for a period of five (5) years from the date of adoption, except for any earlier termination that may be determined by the Board under the RSU Scheme. Upon termination of the RSU Scheme, no further grants of restricted share units will be made under the RSU Scheme.

#### (5) Cap of the Scheme

The Shares to be issued under the RSU Scheme shall be authorized but unissued or repurchased ordinary shares. The total number of shares available for issue under the RSU Scheme is 30,000,000 shares, representing approximately 2.54% of the shares in issue as at the date of this report. In any event, 1) the maximum aggregate number of Shares which may be issued under the RSU Scheme shall not exceed 10% of the issued shares of the Company (as varied from time to time); and 2) the maximum aggregate number of Shares which may be granted to individual employees under the RSU Scheme shall not exceed 1% of the issued shares of the Company (as varied from time to time).

#### (6) Grant of Restricted Share Units

As at 30 June 2023, a total of 29,459,700 restricted share units (equivalent to 29,459,700 underlying Shares) had been granted to 149 grantees under the RSU Scheme at nil consideration, representing approximately 2.50% of the issued shares of the Company as at 30 June 2023. As at the beginning of the Reporting Period and the end of the Reporting Period, the number of restricted share units authorized to be available for grant under the RSU Scheme was 540,300.

### **(7) Purchase Price**

The purchase price of each restricted share units is HK\$4.17.

### **(8) Vesting Schedule**

The vesting schedule for the 29,459,700 restricted share units granted to the grantees is as follows:

- 1) With respect to the 9,819,900 restricted share units granted: the restricted share units will be vested on 5 January 2023;
- 2) With respect to the 9,819,900 restricted share units granted: the restricted share units will be vested on 5 January 2024;
- 3) With respect to the 9,819,900 restricted share units granted: the restricted share units will be vested on 5 January 2025.

### **(9) Performance Targets**

Vesting of the above batches of restricted share units is subject to the achievement of certain performance targets:

- 1) Performance at the Group level:

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

- 2) Performance at the individual level:

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

## Management Discussion and Analysis

### Changes in Restricted Share Units

The Company adopted the RSU Scheme on 15 December 2021 and granted restricted share units on 5 January 2022 under the RSU Scheme, specific details of the RSU Scheme are set out in the Company's announcement dated 15 December 2021 and the announcement dated 5 January 2022. During the Reporting Period, 43,200 restricted share units were canceled. The purchase price of the canceled restricted share units was HK\$4.17. Details of the movements in restricted share units granted under the RSU Scheme and the restricted share units outstanding during the Reporting Period are set out below:

<b>Grantees</b>	<b>Number of restricted share units granted on 5 January 2022</b>	<b>Number of restricted share units outstanding as at 1 January 2023</b>	<b>Number of restricted share units vested during the Reporting Period</b>	<b>Purchase Price (HKD)</b>	<b>Number of restricted share units lapsed during the Reporting Period</b>	<b>Number of restricted share units outstanding as at 30 June 2023</b>
149 employees	29,459,700	28,220,400	9,406,800	4.17	86,400	18,727,200

The closing price of the relevant restricted share units 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 grant was HK\$9.47. As at 30 June 2023, the number of shares of the Company issued under the RSU Scheme was 9,819,900 shares, representing approximately 0.83% of the issued shares of the Company as at 30 June 2023.

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

As at the date of this report, the remaining life of the RSU Scheme is approximately three (3) years.

# Supplemental Information

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has adopted and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules and there had been no deviation from the code provisions of the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors. Having made specific enquiries with all Directors, they have confirmed that they have complied with the Model Code at all times during the Interim Period.

## DISCLOSURE OF DIRECTORS’ INFORMATION

According to Rule 13.51B(1) of the Listing Rules, the changes in Directors’ information are as follows:

Mr. Hirazawa Jungo, an executive Director, served as a director of Pharmadule Singapore since 16 January 2023.

Ms. Chan Yuen Sau Kelly, an independent non-executive Director, served as an independent non-executive director of Best Mart 360 Holdings Limited (優品360控股有限公司) (whose shares are listed on the Stock Exchange, stock code: 2360) since 11 August 2023.

Save as disclosed above, there were no other changes in Director’s information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period and as at the date of this report.

## AUDIT COMMITTEE

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

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

As at 30 June 2023 to the knowledge of the Directors and chief executives of the Company, the interests and short positions of the substantial shareholders and other persons (excluding Directors, supervisors and chief executives of the Company) in the Company's shares and underlying shares as recorded in the register maintained pursuant to Section 336 of the SFO are as follows:

<b>Name of major shareholders</b>	<b>Capacity/Nature of interests</b>	<b>Number of Shareholdings</b>	<b>Approximate percentage of issued share capital as at 30 June 2023<sup>2</sup></b>
Morimatsu Holdings	Beneficial owner	750,000,000 (L) <sup>1</sup>	63.54%
Morimatsu Group <sup>3</sup>	Interest in a controlled corporation	750,000,000 (L)	63.54%
Mr. Matsuhisa Terumoto <sup>4</sup>	Interest in a controlled corporation	750,000,000 (L)	63.54%
	Beneficial owner	16,810,000 (L)	1.42%

Notes:

- 1 The letter "L" denotes the person's long position in the Shares.
- 2 Percentages are calculated based on the total number of 1,180,271,900 issued shares of the Company as at 30 June 2023.
- 3 Morimatsu Holdings is wholly owned by Morimatsu Group. Mr. Matsuhisa Terumoto holds 100% of the voting shares of Morimatsu Group, and is therefore deemed to be interested in the shares held by Morimatsu Holdings.
- 4 Mr. Matsuhisa Terumoto is also interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 16,810,000 shares.

Save as disclosed above, to the knowledge of the Directors and chief executives, as at 30 June 2023, there is no other person (excluding directors, supervisors and chief executives of the Company or their respective associates) has interests or short positions as recorded in the register maintained by the Company pursuant to Section 336 of the SFO in the Shares and underlying Shares.

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

As at 30 June 2023, the interests and short positions of the directors, supervisors, chief executives of the Company or their associates in the Shares, the underlying Shares or bonds of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 taken or deemed or 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 to be notified separately to the Company and the Stock Exchange in accordance with the Model Code contained in the Listing Rules were as follows:

### (1) Long position in shares of the Company

<b>Name of directors</b>	<b>Capacity/Nature of interests</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate percentage of issued share capital as at 30 June 2023<sup>2</sup></b>
Matsuhisa Terumoto	Beneficial owner <sup>1</sup>	16,810,000	1.42%
Nishimatsu Koei	Beneficial owner <sup>1</sup>	4,525,000	0.38%
	Beneficial owner	1,599,000	0.14%
Kawashima Hirotaka	Beneficial owner <sup>1</sup>	1,584,000	0.13%
Hirazawa Jungo	Beneficial owner <sup>1</sup>	1,360,000	0.12%
Tang Weihua	Beneficial owner <sup>1</sup>	2,435,119	0.21%
	Beneficial owner	850,859	0.07%
Sheng Ye	Beneficial owner <sup>1</sup>	2,408,685	0.20%
	Beneficial owner	917,376	0.08%

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 1,180,271,900 Shares in issue as at 30 June 2023.

## Supplemental Information

### (2) Long position in shares of associated corporations of the Company

<b>Name of directors</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of interests</b>	<b>Total equity</b>	<b>Approximate percentage</b>
Tang Weihua	Morimatsu Biotechnology	Interest in a controlled corporation	4,375,000	8.75% <sup>1</sup>
Tang Weihua	Mori-Biounion Technology	Interest in a controlled corporation	4,375,000	8.75% <sup>2</sup>

Notes:

- 1 Jinwen Consultation's holds 8.75% equity interest in Morimatsu Biotechnology. Tang Weihua, as a limited partner, holds 33.62% of the shares in Jinwen Consultation. Jinliang Technology is the general partner of Jinwen Consultation, and Tang Weihua, as a limited partner, holds 29% of equity interest in Jinliang Technology. Therefore, Tang Weihua is deemed to be interested in the shares held by Jinwen Consultation in Morimatsu Biotechnology.
- 2 Mori-Biounion Technology is a non-wholly owned subsidiary of Morimatsu Biotechnology, which is held as to 59.32% by Morimatsu Biotechnology. Therefore, Tang Weihua is deemed to be interested in Mori-Biounion Technology.

Save as disclosed above, as at 30 June 2023, no directors, supervisors, chief executives of the Company or their associates own or are deemed to own interests or short positions in the Shares, the underlying Shares or bonds of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 taken or deemed or 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 to be notified separately to the Company and the Stock Exchange in accordance with the Model Code contained in the Listing Rules.

# Consolidated Statements of Profit or Loss

For the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Revenue</b>	3	<b>3,691,759</b>	2,964,865
Cost of sales		<b>(2,682,667)</b>	(2,176,441)
<b>Gross profit</b>		<b>1,009,092</b>	788,424
Other income	4	<b>14,121</b>	46,149
Selling and marketing expenses		<b>(78,986)</b>	(95,437)
General and administrative expenses		<b>(269,168)</b>	(228,481)
Research and development expenses		<b>(168,090)</b>	(145,505)
Impairment loss reversed or (recognised) on trade receivables and contract assets		<b>388</b>	(14,876)
<b>Profit from operations</b>		<b>507,357</b>	350,274
Finance costs	5(a)	<b>(7,339)</b>	(7,900)
Share of results of joint venture		<b>(3,596)</b>	(1,146)
Shares of results of associates		<b>8</b>	—
<b>Profit before taxation</b>	5	<b>496,430</b>	341,228
Income tax	6	<b>(75,401)</b>	(38,692)
<b>Profit for the period</b>		<b>421,029</b>	302,536
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>422,346</b>	302,672
Non-controlling interests		<b>(1,317)</b>	(136)
<b>Profit for the period</b>		<b>421,029</b>	302,536
<b>Earnings per share</b>	7		
Basic (RMB)		<b>0.37</b>	0.29
Diluted (RMB)		<b>0.34</b>	0.28

The notes on pages 50 to 72 form part of this interim financial report.

# Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>421,029</b>	302,536
<b>Other comprehensive income for the period</b>		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>30,273</b>	2,485
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<b>1,812</b>	(371)
<b>Other comprehensive income for the period</b>	<b>32,085</b>	2,114
<b>Total comprehensive income for the period</b>	<b>453,114</b>	304,650
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>454,431</b>	304,786
Non-controlling interests	<b>(1,317)</b>	(136)
<b>Total comprehensive income for the period</b>	<b>453,114</b>	304,650

The notes on pages 50 to 72 form part of this interim financial report.

# Consolidated Statements of Financial Position

At 30 June 2023 – unaudited

	Note	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,939,232	1,609,565
Right-of-use assets	9	194,208	198,888
Intangible assets		35,741	31,079
Interests in associates		40,023	20,016
Interest in joint venture		11,317	6,155
Financial assets measured at fair value through profit or loss ("FVPL")		10,000	10,000
Deferred tax assets		11,698	7,120
Other non-current assets	10	77,945	243,212
		<b>2,320,164</b>	2,126,035
<b>Current assets</b>			
Inventories	11	2,381,514	2,213,728
Contract assets		789,971	830,927
Trade and other receivables	12	1,071,959	1,165,785
Financial assets measured at fair value through profit or loss ("FVPL")	16	480,635	253,748
Cash and cash equivalents	13	1,932,305	1,370,359
		<b>6,656,384</b>	5,834,547
<b>Current liabilities</b>			
Trade and other payables	14	1,629,810	1,633,543
Contract liabilities		2,821,847	2,890,048
Interest-bearing borrowings		180,844	254,599
Financial liabilities measured at fair value through profit or loss ("FVPL")	16	—	1,240
Lease liabilities		5,352	6,059
Current taxation		75,527	68,467
Provisions		28,851	25,450
		<b>4,742,231</b>	4,879,406
<b>Net current assets</b>		<b>1,914,153</b>	955,141
<b>Total assets less current liabilities</b>		<b>4,234,317</b>	3,081,176

## Consolidated Statements of Financial Position

At 30 June 2023 – unaudited

	Note	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings		218,944	189,634
Lease liabilities		15,919	17,104
Deferred tax liabilities		20,369	9,358
Deferred income		45,216	42,434
		<b>300,448</b>	258,530
<b>Net assets</b>			
		<b>3,933,869</b>	2,822,646
<b>Capital and reserves</b>			
Share capital	15(c)	1,252,294	643,657
Reserves		2,672,638	2,172,073
Total equity attributable to equity shareholders of the Company		<b>3,924,932</b>	2,815,730
Non-controlling interests		<b>8,937</b>	6,916
<b>Total equity</b>		<b>3,933,869</b>	2,822,646

The notes on pages 50 to 72 form part of this interim financial report.

# Consolidated Statements of Changes in Equity

For the six months ended 30 June 2023 – unaudited

	Attributable to equity shareholders of the Company								Non-controlling interest	Total equity	
	Note	Share capital	Treasury stock	Capital reserve	Other reserve	PRC Statutory reserve	Exchange reserve	Retained earnings			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2022</b>		571,769	—	500,692	8,837	37,871	(7,028)	895,668	2,007,809	—	2,007,809
<b>Changes in equity for the six months ended 30 June 2022:</b>											
Profit for the period		—	—	—	—	—	—	302,672	302,672	(136)	302,536
Other comprehensive income for the period		—	—	—	—	—	2,114	—	2,114	—	2,114
Total comprehensive income for the period		—	—	—	—	—	2,114	302,672	304,786	(136)	304,650
Appropriation to PRC statutory reserve		—	—	—	—	4,299	—	(4,299)	—	—	—
Equity settled share-based payment	15(b)	—	—	69,425	—	—	—	—	69,425	—	69,425
Issuance of ordinary shares to the Company	15(c)	2	(2)	—	—	—	—	—	—	—	—
Exercise of share option	15(c)	1,625	—*	(1,625)	—	—	—	—	—	—	—
<b>Balance at 30 June 2022</b>		573,396	(2)	568,492	8,837	42,170	(4,914)	1,194,041	2,382,020	(136)	2,381,884
<b>Balance at 1 July 2022</b>		573,396	(2)	568,492	8,837	42,170	(4,914)	1,194,041	2,382,020	(136)	2,381,884
<b>Changes in equity for the six months ended 31 December 2022:</b>											
Profit for the period		—	—	—	—	—	—	366,594	366,594	(2,948)	363,646
Other comprehensive income for the period		—	—	—	—	—	(2,847)	—	(2,847)	—	(2,847)
Total comprehensive income for the period		—	—	—	—	—	(2,847)	366,594	363,747	(2,948)	360,799
Appropriation to PRC statutory reserve		—	—	—	—	—	—	—	—	—	—
Investment from non-controlling shareholder		—	—	—	—	—	—	—	—	10,000	10,000
Equity settled share-based payment	15(b)	—	—	69,962	—	—	—	—	69,962	—	69,962
Issuance of ordinary shares to the Company	15(c)	36,579	(36,579)	—	—	—	—	—	—	—	—
Exercise of share option	15(c)	33,682	1	(33,682)	—	—	—	—	1	—	1
<b>Balance at 31 December 2022</b>		643,657	(36,580)	604,772	8,837	42,170	(7,761)	1,560,635	2,815,730	6,916	2,822,646

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

## Consolidated Statements of Changes in Equity

For the six months ended 30 June 2023 – unaudited

Note	Attributable to equity shareholders of the Company								Non-controlling interest	Total equity
	Share capital	Treasury stock	Capital reserve	Other reserve	PRC		Retained earnings	Total		
					Statutory reserve	Exchange reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2023</b>	<b>643,657</b>	<b>(36,580)</b>	<b>604,772</b>	<b>8,837</b>	<b>42,170</b>	<b>(7,761)</b>	<b>1,560,635</b>	<b>2,815,730</b>	<b>6,916</b>	<b>2,822,646</b>
<b>Changes in equity for the six months ended 30 June 2023:</b>										
Profit for the period	—	—	—	—	—	—	422,346	422,346	(1,317)	421,029
Other comprehensive income for the period	—	—	—	—	—	32,085	—	32,085	—	32,085
Total comprehensive income for the period	—	—	—	—	—	32,085	422,346	454,431	(1,317)	453,114
Appropriation to PRC statutory reserve	—	—	—	—	9,210	—	(9,210)	—	—	—
Allotment of shares	15(c) 567,206	—	—	—	—	—	—	567,206	—	567,206
Investment from non-controlling shareholder	—	—	—	—	—	—	—	—	3,338	3,338
Equity settled share-based payment	15(b) —	—	53,509	—	—	—	—	53,509	—	53,509
Issuance of ordinary shares to the Company	15(c) 2	(2)	—	—	—	—	—	—	—	—
Exercise of share option and RSU	15(c) 41,429	35,040	(42,413)	—	—	—	—	34,056	—	34,056
<b>Balance at 30 June 2023</b>	<b>1,252,294</b>	<b>(1,542)</b>	<b>615,868</b>	<b>8,837</b>	<b>51,380</b>	<b>24,324</b>	<b>1,973,771</b>	<b>3,924,932</b>	<b>8,937</b>	<b>3,933,869</b>

The notes on pages 50 to 72 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statements

For the six months ended 30 June 2023 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Operating activities:</b>		
Cash generated from operations	<b>517,012</b>	533,713
Income tax paid	<b>(61,907)</b>	(41,068)
<b>Net cash generated from operating activities</b>	<b>455,105</b>	492,645
<b>Investing activities:</b>		
Payment for the purchase of long-term assets	<b>(230,387)</b>	(410,866)
Net cash payment for acquisition of monetary fund measured at FVPL	<b>(226,600)</b>	(212,518)
Acquisition of subsidiary, net of cash acquired	<b>—</b>	(8,187)
Payment for equity method investments	<b>(28,757)</b>	—
Proceeds from sale of property, plant and equipment	<b>40</b>	197
Net cash received from disposal of financial assets or liabilities measured at FVPL	<b>3,909</b>	—
Interest received	<b>21,626</b>	2,972
<b>Net cash used in investing activities</b>	<b>(460,169)</b>	(628,402)
<b>Financing activities:</b>		
Capital element of lease rentals paid	<b>(3,071)</b>	(3,285)
Proceeds from bank loans	<b>26,640</b>	81,236
Repayment of bank loans	<b>(69,900)</b>	(25,000)
Proceeds from allotment of shares	<b>567,206</b>	—
Proceeds from exercise of share options and RSUs	<b>34,056</b>	—
Cash received from non-controlling shareholder	<b>3,338</b>	—
Interest element of lease rentals paid	<b>(481)</b>	(58)
Interest paid	<b>(10,139)</b>	(7,869)
<b>Net cash generated from financing activities</b>	<b>547,649</b>	45,024
Effect of foreign exchange rate changes on cash and cash equivalents	<b>19,361</b>	25,403
Net increase/(decrease) in cash and cash equivalents	<b>561,946</b>	(65,330)
Cash and cash equivalents at 1 January	<b>1,370,359</b>	1,548,875
Cash and cash equivalents at 30 June	<b>1,932,305</b>	1,483,545

The notes on pages 50 to 72 form part of this interim financial report.

# Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

## 1 BASIS OF PREPARATION

### (a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 22 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

### 2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

#### **HKFRS 17, Insurance contracts**

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the group does not have contracts within the scope of HKFRS 17.

#### **Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates**

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### **Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction**

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

Prior to the amendments, the group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

#### **Amendments to HKAS 12, Income taxes: International tax reform — Pillar Two model rules**

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax 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 (“**OECD**”) (income tax arising from such tax laws is hereafter referred to as “**Pillar Two income taxes**”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

#### (i) Disaggregation of revenue

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— traditional pressure equipment	1,069,274	1,364,733
— reactor	455,349	612,396
— heat exchanger	326,208	324,659
— tank	208,304	221,852
— tower	79,413	205,826
— modular pressure equipment	2,551,515	1,534,088
— others*	14,396	14,623
<b>Sales of products</b>	<b>3,635,185</b>	<b>2,913,444</b>
— Pressure equipment design, validation, and maintenance service	56,574	51,421
<b>Service</b>	<b>56,574</b>	<b>51,421</b>
<b>Revenue of operations</b>	<b>3,691,759</b>	<b>2,964,865</b>

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

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (a) Revenue (Continued)

##### (i) Disaggregation of revenue (Continued)

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues of six months ended 30 June 2023 (six months ended 30 June 2022: one). Revenues from those customers are set out below:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Customer A	431,339	*
Customer B	*	472,232
Customer C	393,597	*

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

##### (ii) Geographic information

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Mainland China	2,268,690	1,656,474
North America	495,623	97,044
Asia (excluding mainland China)	521,025	282,045
Europe	54,306	405,055
Africa	248,650	482,698
Others (Note)	103,465	41,549
Total	3,691,759	2,964,865

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

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

#### (b) Segment reporting

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

### 4 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (i)	<b>3,368</b>	2,195
Interest income	<b>21,626</b>	2,972
Net realised gains on monetary fund	<b>4,050</b>	4,537
Net realised gains on forward exchange contracts	<b>166</b>	521
Net foreign exchange (losses)/gains	<b>(17,150)</b>	39,958
Changes in fair value of financial assets and liabilities	<b>1,220</b>	(4,763)
Net loss on disposal of property, plant and equipment	<b>(281)</b>	—
Others	<b>1,122</b>	729
	<b>14,121</b>	46,149

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>(a) Finance costs:</b>		
Interest on interest-bearing borrowings	6,858	7,869
Interest on lease liabilities	481	31
	<b>7,339</b>	7,900
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	519,413	390,275
Equity-settled share-based payment expenses (Note 15(b))	53,509	69,425
Contributions to defined contribution retirement plans (i)	53,295	39,983
	<b>626,217</b>	499,683

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

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>(c) Other items:</b>		
Amortisation of intangible assets	<b>7,338</b>	7,847
Depreciation charge		
— owned property, plant and equipment	<b>56,400</b>	40,187
— right-of-use assets	<b>5,943</b>	3,485
Research and development costs (i)	<b>168,090</b>	145,505
Increase in provisions	<b>6,939</b>	6,173
Cost of inventories (ii)	<b>2,682,667</b>	2,176,441
Inventory write-down and losses net of reversals (Note 11)	<b>6,301</b>	4,532

(i) Research and development costs included staff costs of RMB89,549,000 (six months ended 30 June 2022: RMB73,046,000), depreciation and amortisation expenses of RMB5,271,000 (six months ended 30 June 2022: RMB5,077,000) for the six months ended 30 June 2023, 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 RMB284,686,000 (six months ended 30 June 2022: RMB262,693,000), depreciation and amortisation expenses of RMB35,171,000 (six months ended 30 June 2022: RMB30,550,000) for the six months ended 30 June 2023, which are also included in the respective total amounts disclosed separately above or in Note 5(b).

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

(a) Taxation in the consolidated statements of profit or loss represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Current tax:</b>		
Provision for the year	68,968	45,822
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	6,433	(7,130)
Actual tax expense	75,401	38,692

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

Pursuant to the income tax rules and regulations of Hong Kong, the Company and the Group's subsidiary in Hong Kong was subject to the Hong Kong Profits Tax at a rate of 16.5% for the six months ended 30 June 2023 and 2022. No provision for Hong Kong Profits Tax was made for the company incorporated in Hong Kong as the company use the losses arising from the previous years and did not have income subject to Hong Kong Profits Tax during the six months ended 30 June 2023 and 2022 respectively.

Pursuant to the income tax rules and regulations of Sweden, Pharmadule Morimatsu AB was subject to the Sweden Corporate Tax at a rate of 20.6% for the six months ended 30 June 2023 and 2022.

Pursuant to the income tax rules and regulations of the United States, Pharmadule Morimatsu Inc and Morimatsu Houston Corporation were subject to the United States Corporate Tax at a rate of 21% for the six months ended 30 June 2023 and 2022, which represents federal income tax at a rate determined by income ranges.

Pursuant to the income tax rules and regulations of India, Pharmadule Engineering India Private Limited was subject to the India Corporate Tax at a rate of 25.17% and 25% for the six months ended 30 June 2023 and 2022. No provision for India Corporate Tax was made for Pharmadule Engineering India Private Limited as the company did not have income subject to India Corporate Tax for the six months ended 30 June 2022.

Pursuant to the income tax rules and regulations of Japan, Morimatsu Technology and Service Company Limited was subject to the Japan Corporate Tax at a rate of 33.58% for the six months ended 30 June 2023 and 2022. No provision for Japan Corporate Tax was made for Morimatsu Technology and Service Company Limited as the company did not have income subject to Japan Corporate Tax for the six months ended 30 June 2023 and 2022.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

(a) (Continued)

(i) (Continued)

Pursuant to the income tax rules and regulations of Italy, Morimatsu Italy S.R.L. was subject to the Italy Corporate Tax at a rate of 24% for the six months ended 30 June 2023 and 2022. No provision for Italy Corporate Tax was made for Morimatsu Italy S.R.L. as the company did not have income subject to Italy Corporate Tax for the six months ended 30 June 2023 and 2022.

Pursuant to the income tax rules and regulations of Mexico, Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd., was liable to the Mexico Corporate Tax at a rate of 30% for the six months ended 30 June 2023 and 2022. No provision for Mexican Corporate Tax was made for Permanent Establishment in Mexico as the company did not have income subject to Mexican Corporate Tax during the reporting period.

Pursuant to the income tax rules and regulations of Singapore, Morimatsu Pharmadule (Singapore) Pte. Ltd. was subject to the Singapore Corporate Tax at a rate of 17% for the six months ended 30 June 2023. No provision for Singapore Corporate Tax was made for Morimatsu Pharmadule (Singapore) Pte. Ltd. as the company did not have income subject to Singapore Corporate Tax for the six months ended 30 June 2023.

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

	Applicable preferential tax rate	Period
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. (“ <b>Morimatsu Pharmaceutical Equipment</b> ”) (上海森松製藥設備工程有限公司)*	15%	2022–2023
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (“ <b>Morimatsu Heavy Industry</b> ”) (森松(江蘇)重工有限公司)*	15%	2022–2023

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

(iii) Under the CIT Law of the PRC and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 200% on the amount actually incurred for each of the year ended 31 December 2023 and 2022.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

(Continued)

(a) (Continued)

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

### 7 EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB422,346,000 (six months ended 30 June 2022: RMB302,672,000) and the weighted average of 1,147,734,000 ordinary shares (2022: 1,037,718,000 shares) in issue during the interim period.

#### Weighted average number of ordinary shares

	Six months ended 30 June	
	2023	2022
Issued ordinary shares at the beginning of the period	<b>1,052,913,000</b>	1,037,500,000
Effect of allotment of shares	<b>74,696,000</b>	—
Effect of exercise of share options	<b>129,000</b>	—*
Effect of vested RSUs	<b>9,199,000</b>	—
Effect of vested shares options exercisable for no more than little consideration (note (i) below)	<b>10,797,000</b>	218,000
Weighted average number of ordinary shares	<b>1,147,734,000</b>	1,037,718,000

\* The balances represent number less than 1,000.

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 7 EARNINGS PER SHARE (Continued)

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB422,346,000 (six months ended 30 June 2022: RMB302,672,000) and the weighted average number of ordinary shares of 1,240,786,000 (2022: 1,091,917,000 shares).

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

	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares	<b>1,147,734,000</b>	1,037,718,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and RSU Scheme	<b>93,052,000</b>	54,199,000
Weighted average number of ordinary shares (diluted)	<b>1,240,786,000</b>	1,091,917,000

### 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of plant and buildings, machinery and equipment, office and other equipment, motor vehicles and construction in progress with a cost of RMB386,388,000 (six months ended 30 June 2022: RMB113,959,000). Items of machinery and equipment, office and other equipment, motor vehicles with a net book value of RMB321,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB197,000), resulting in a loss on disposal of RMB281,000 (six months ended 30 June 2022: nil).

### 9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for leasehold plant and buildings, and therefore recognised the additions to right-of-use assets of RMB1,263,000 (six months ended 30 June 2022: RMB13,990,000).

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 10 OTHER NON-CURRENT ASSETS

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Prepayments for property, plant and equipment	<b>75,347</b>	241,546
Long-term deferred expense	<b>2,598</b>	1,666
	<b>77,945</b>	243,212

### 11 INVENTORIES

During the six months ended 30 June 2023, RMB554,000 (six months ended 30 June 2022: RMB124,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain comprehensive pressure equipment as a result of increase of market price.

### 12 TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Bills receivable	<b>36,836</b>	156,247
Trade debtors net of loss allowance	<b>799,042</b>	682,065
Other debtors	<b>64,190</b>	61,048
Financial assets measured at amortised cost	<b>900,068</b>	899,360
Prepayments	<b>171,891</b>	266,425
	<b>1,071,959</b>	1,165,785

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 12 TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Within 3 months	<b>414,850</b>	389,805
More than 3 months but less than 1 year	<b>310,826</b>	231,885
More than 1 year but less than 2 years	<b>65,822</b>	55,467
More than 2 years	<b>7,544</b>	4,908
	<b>799,042</b>	682,065

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

### 13 CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Deposits with banks	<b>769,966</b>	100,993
Cash at banks and on hand	<b>1,160,845</b>	1,269,366
Restricted cash	<b>1,494</b>	—
	<b>1,932,305</b>	1,370,359

As at the end of each reporting period, cash and cash equivalents situated in mainland China amounted to RMB969,224,000 (2022: 1,067,361,000). Remittance of funds out of mainland China is subject to relevant rules and regulations of foreign exchange control.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 14 TRADE AND OTHER PAYABLES

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Bills payable	<b>17,500</b>	21,577
Trade payables	<b>1,294,643</b>	1,233,544
Other payables and accruals	<b>317,667</b>	378,422
	<b>1,629,810</b>	1,633,543

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

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Within 3 months	<b>827,156</b>	1,005,728
More than 3 months but less than 6 months	<b>209,049</b>	181,516
More than 6 months but less than 12 months	<b>221,765</b>	36,670
More than 1 year but less than 2 years	<b>28,386</b>	5,848
More than 2 years	<b>8,287</b>	3,782
	<b>1,294,643</b>	1,233,544

(Expressed in Renminbi yuan unless otherwise indicated)

### 15 CAPITAL AND RESERVES

#### (a) Dividend

The Board of the Company resolved not to declare the payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

The Board of the Company's subsidiary has resolved to propose RMB50,000,000 of its interim dividend to the Company for the six months ended 30 June 2023 (30 June 2022: nil).

#### (b) Equity settled share-based transactions

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

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

The Group recognised an expense of RMB37,609,000 in the six months period ended 30 June 2023 (six months ended 30 June 2022: RMB33,860,000), which is by reference to the fair value of the options granted on the measurement date (also referred as "grant date" herein), and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

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

The Group recognised an expense of RMB15,900,000 in the six months period ended 30 June 2023 (six months ended 30 June 2022: RMB35,565,000), which is by reference to the fair value of the RSUs on the vesting date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 15 CAPITAL AND RESERVES *(Continued)*

#### (c) Share capital

##### (i) Allotment of shares under the subscription

On 4 January 2023, the Board approved that a total of 80,000,000 ordinary shares will be allotted and issued as fully paid for cash at HK\$8.30 per share. The net proceeds (after deducting all fees, costs and expenses incurred by the Company) amount to approximately RMB567,206,000.

##### (ii) Issuance of ordinary shares to the Company

The Company issued and repurchased 26,476,000 ordinary shares at HK\$0.6651 per share for exercise of Pre-IPO Share Option Scheme on 1 June 2023 (26,476,000 ordinary shares at HK\$0.6621 on 2 June 2022).

The Company issued and repurchased 9,819,900 ordinary shares at HK\$4.17 per share for exercise of RSU Scheme on 23 November 2022.

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

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

Options to subscribe for an aggregate of 709,150 ordinary shares were exercised during the period from 28 June 2022 and 30 June 2022, which resulted in an increase in the share capital of RMB1,624,000.

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

No RSUs were vested and exercised during the six months ended 30 June 2022.

#### (d) Other reserve

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and liabilities measured at fair value

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 30 June 2023 categorised ratio			
	Fair value at 30 June 2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial Assets:				
Monetary fund	480,635	—	480,635	—
Unlisted equity securities	10,000	—	—	10,000
Fair value measurements as at 31 December 2022 categorised ratio				
	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial Assets				
Unlisted equity securities	10,000	—	—	10,000
Monetary fund	253,748	—	253,748	—
Financial Liabilities				
Forward exchange contracts	(1,240)	—	(1,240)	—

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

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

#### (a) Financial assets and liabilities measured at fair value *(Continued)*

##### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of 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 the Bank of China.

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

##### (iii) Information about Level 3 fair value measurements

The unlisted equity securities are shares in Lab Direct China Limited, a company incorporated in Shanghai and engaged in provision of one-stop integrated procurement and supply services for life science industry.

Pursuant to the written resolution dated on 6 June 2022, the Group decided to invest RMB10,000,000 to obtain 1.75% equity interest of Lab Direct China Limited. The capital was injected on 5 August 2022. The Group categorized its investment in Lab Direct China Limited as FVPL.

As of 30 June 2023, considering the last equity financing within one year and the operating of Lab Direct China Limited without any significant change, the fair value of the unlisted equity securities could be measured by the historical cost of investment.

#### (b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 17 COMMITMENTS

#### (a) Capital commitments

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Authorised but not contracted for acquisition of property, machinery and equipment	<b>255,132</b>	25,061
Contracted for but not provided for acquisition of property, machinery and equipment	<b>318,862</b>	438,214
	<b>573,994</b>	463,275

#### (b) Operating lease commitments

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Within 1 year	<b>33,753</b>	5,284

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Name and relationship with related parties

During the six months ended 30 June 2023 and 2022, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Morimatsu Group Co., Ltd. (Prior named as "Morimatsu Holdings Co., Ltd.")	Controlling Shareholder
Morimatsu Holdings Co., Ltd. (Prior named as "Morimatsu Industry Company Limited")	Parent Company
Shanghai Morimatsu Chemical Equipment Co., Ltd.	Fellow subsidiary
Morimatsu Dialog (Malaysia) SDN. BHD.	Joint venture
Terumoto Matsuhisa 松久晃基	Members of director and key management personnel
Jungo Hirazawa 平澤準悟	Members of director and key management personnel
Hiroataka Kawashima 川島宏貴	Members of director and key management personnel
Koei Nishimatsu 西松江英	Members of director and key management personnel
Wei Hua Tang 湯衛華	Members of director and key management personnel
Ye Sheng 盛擘	Members of director and key management personnel

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

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (b) Related party transactions

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Rental expense</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	<b>27,254</b>	22,241
	<b>27,254</b>	22,241
<b>Outsourcing service income</b>		
Morimatsu Holdings Co., Ltd.	<b>338</b>	255
	<b>338</b>	255
<b>Purchase of goods</b>		
Morimatsu Dialog (Malaysia) SDN. BHD.	<b>5,093</b>	—
	<b>5,093</b>	—
<b>Acquisition is treated as a combination of businesses under common control</b>		
Morimatsu Holdings Co., Ltd.	—	8,187
	—	8,187

## Notes to Unaudited Interim Financial Report

(Expressed in Renminbi yuan unless otherwise indicated)

### 18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Related party balances

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
<b>Amounts due to (trade):</b>		
Shanghai Morimatsu Chemical Equipment Co., Ltd.	<b>53,166</b>	23,662
	<b>53,166</b>	23,662
<b>Amounts due from (trade):</b>		
Morimatsu Holdings Co., Ltd.	<b>329</b>	280
Morimatsu Dialog (Malaysia) SDN. BHD.	<b>33,989</b>	—
	<b>34,318</b>	280

#### (d) Guarantees provided to related party

	<b>As at 30 June 2023 RMB'000 (unaudited)</b>	As at 31 December 2022 RMB'000
Morimatsu Dialog (Malaysia) SDN. BHD.	<b>11,055</b>	10,656
	<b>11,055</b>	10,656

### 19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 3 August 2023, the subsidiary of Company named Morimatsu (China) Investment Co., Ltd. set up a new subsidiary, Shanghai Morimatsu Hi-Purity Neo-Tech Co., Ltd. (“**MHN**”). The Company holds 88% shares indirectly and has control over MHN. The register capital is RMB10,000,000. MHN is principally engaged in the development and sales of high-purity chemical reagent production technology and equipment. The capital has not been injected into MHN.