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Morimatsu International Holdings Company Limited
森松國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2155)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Morimatsu International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Interim Period**" or "**Reporting Period**") to the shareholders of the Company.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB	*RMB*
	(unaudited)	(unaudited)
Revenue	**3,476,752,000**	3,691,759,000
Gross profit	**1,028,448,000**	1,009,092,000
Gross profit margin	**29.6%**	27.3%
Net profit	**373,827,000**	421,029,000
Net profit margin	**10.8%**	11.4%
Amount of new orders	**3,164,404,000**	4,922,003,000
EBITDA*Note*	**556,094,000**	573,450,000
Basic earnings per Share	**0.32**	0.37
Diluted earnings per Share	**0.30**	0.34

	As at 30 June	
	2024	2023
	RMB	*RMB*
	(unaudited)	(unaudited)
Aggregated amount of the transaction price allocated to the remaining performance obligations under existing contracts	**8,776,495,000**	9,866,457,000

Note: EBITDA represents the profit before taxation, adjusted for the exclusion of finance costs, depreciation and amortisation.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2024 – unaudited

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2024 – unaudited

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

	Note	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000
Non-current liabilities			
Interest-bearing borrowings		**174,559**	179,559
Lease liabilities		**29,249**	14,938
Deferred tax liabilities		**26,072**	31,593
Deferred income		**43,577**	44,364
		273,457	270,454
Net assets		**4,865,922**	4,390,609
Capital and reserves			
Share capital	*10(c)*	**1,305,929**	1,302,751
Reserves		**3,458,233**	3,079,740
Total equity attributable to equity shareholders of the Company		**4,764,162**	4,382,491
Non-controlling interests		**101,760**	8,118
Total equity		**4,865,922**	4,390,609

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi yuan unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Basis of Preparation

The preliminary announcement of the Company's interim results 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 (the "**Stock Exchange**") (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 20 August 2024.

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA to this interim financial report for the current accounting period:

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

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

Amendments to HKAS 1, *Presentation of Financial Statements* ("2020 and 2022 Amendments", or Collectively the "HKAS 1 Amendments")

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

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

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

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of Revenue

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

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

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

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

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

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

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

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

(ii) Geographic Information

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

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

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

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

(b) Segment Reporting

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

4 OTHER INCOME

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

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(a) Finance costs:		
Interest on interest-bearing borrowings	**4,133**	6,858
Interest on lease liabilities	**833**	481
	4,966	7,339
(b) Staff costs:		
Salaries, wages and other benefits	**514,581**	519,413
Equity-settled share-based payment expenses *(Note 10(b))*	**29,425**	53,509
Contributions to defined contribution retirement plans (i)	**58,926**	53,295
	602,932	626,217

(i) Employees of the Group's People's Republic of China (the "**PRC**" or "**China**") 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.

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

(i) Research and development costs included staff costs of Renminbi ("**RMB**") 107,820,000 (six months ended 30 June 2023: RMB89,549,000), depreciation and amortisation expenses of RMB5,297,000 (six months ended 30 June 2023: RMB5,271,000) for the six months ended 30 June 2024, which are also included in the respective total amounts disclosed separately above or in Note 5(b).

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

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

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

		Six months ended 30 June	
Country and region	**Company**	**2024**	2023
Hong Kong	Morimatsu International Holdings Company Limited(*)	**16.5%**	16.5%
	Morimatsu Investment Company Limited(*)(**)	**16.5%**	16.5%
	Morimatsu International Investment Company Limited ("**MII**")(*)(***)	**16.5%**	N/A
Kingdom of Sweden	Pharmadule Morimatsu AB	**20.6%**	20.6%

Country and region	Company	Six months ended 30 June **2024**	2023
United States of America ("**U.S.**")	Pharmadule Morimatsu Inc(****)	**21.0%**	21.0%
	Morimatsu Houston Corporation(****)	**21.0%**	21.0%
Republic of India	Pharmadule Engineering India Private Limited	**25.17%**	25.17%
Malaysia	Morimatsu Dialog (Malaysia) SDN. BHD. ("**Morimatsu Dialog**")(*)(***)	**24.0%**	N/A
Japan	Pharmadule Technology and Service Company Limited (previous name: Morimatsu Technology and Service Company Limited) (*)	**33.58%**	33.58%
	Morimatsu Technology and Service Company Limited ("**Morimatsu T&S**")(*)(***)	**33.58%**	N/A
Republic of Italy	Morimatsu Italy S.R.L(*)	**24.0%**	24.0%
United Mexican States	Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd.(*)	**30.0%**	30.0%
Republic of Singapore	Morimatsu Pharmadule (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%
	Morimatsu Lifesciences (Singapore) Pte. Ltd.(*)(***)	**17.0%**	N/A
	Morimatsu (Singapore) Pte. Ltd. (*)(***)	**17.0%**	N/A

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

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

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

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

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

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

(iii) Under the CIT Law and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 200% on the amount actually incurred for each of the year ended 31 December 2024 and 2023.

(iv) According to the CIT Law and its implementing regulations of the CIT Law, for dividends payable to investors that are non-resident enterprise (who do not have organisations or places of business in the PRC, or that have organisations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).

(v) Under the CIT law, the deductible tax losses expire within 5 years from the year when such losses were incurred. It mainly arose from the Morimatsu (China) Investment Co., Ltd. whose principal activity was investment holding, Morimatsu (Suzhou) LifeSciences Co., Ltd., Morimatsu Engineering Technology and Shanghai Mori-Biounion Technology Co., Ltd. ("**Mori-Biounion Technology**").

(b) Pillar Two Income Tax

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

7 EARNINGS PER SHARE

(a) Basic Earnings Per Share

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

(b) Diluted Earnings Per Share

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

8 TRADE AND OTHER RECEIVABLES

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

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

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

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

9 TRADE AND OTHER PAYABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000*
Bills payable	**29,986**	26,921
Trade payables	**1,061,756**	1,254,536
Other payables and accruals	**375,503**	388,393
Financial liabilities measured at amortised cost	**1,467,245**	1,669,850

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:

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

10 CAPITAL AND RESERVES

(a) Dividend

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

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

(b) Equity-settled Share-based Transactions

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

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

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

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

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

(c) Share Capital

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

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

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

(ii) Exercise of share option and RSU

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

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

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

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

(iii) Repurchase and cancellation of ordinary shares to the Company

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

(d) Other Reserve

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

(e) Investments in Subsidiaries

Pursuant to the supplemental agreement to the joint venture agreement dated 1 January 2024, the Group acquired its joint venture, Morimatsu Dialog for nil cash consideration. The acquisition cost of the 49% equity interest in Morimatsu Dialog, measured at the acquisition date, is RMB55,176,000. In April 2024, the Group has injected Malaysian Ringgit ("**MYR**") 31,110,000 (equivalent to RMB46,251,000) to Morimatsu Dialog. In May and June 2024, the non-controlling shareholder of Morimatsu Dialog, Dialog Fabricators SDN. BHD. has injected MYR10,000,000 (equivalent to RMB14,890,000) and MYR19,890,000 (equivalent to RMB30,074,000) to Morimatsu Dialog, respectively.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MISSION STATEMENT

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

DEVELOPMENT VISION

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

CORPORATE VALUE

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

UNDERLYING TECHNOLOGIES AND INNOVATIVE THINKING

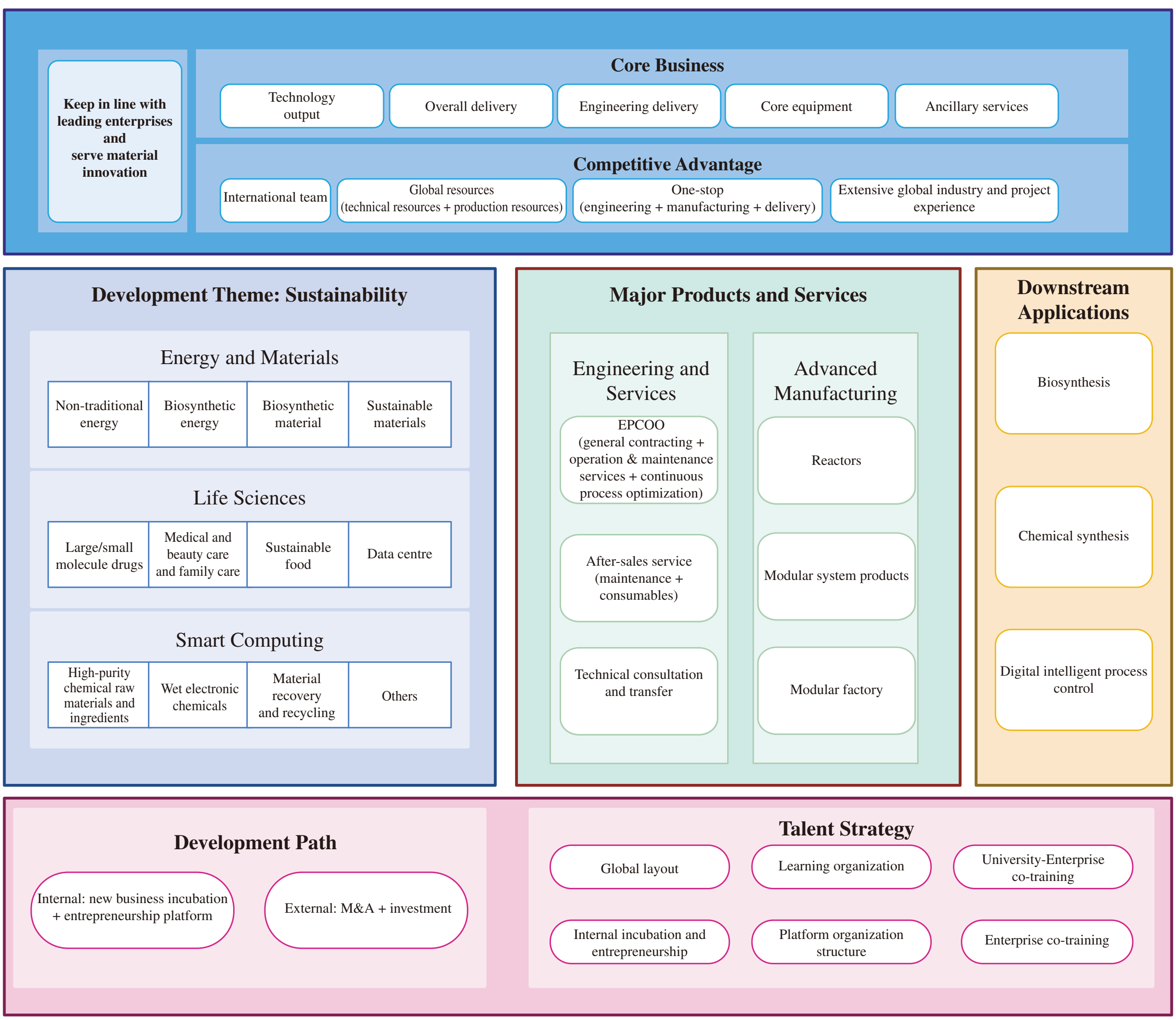
The Group's underlying technologies are derived from the knowledge and engineering application of biological and chemical reactions (including synthesis and polymerization reactions), involving various professional disciplines such as chemical engineering, bio-engineering, metal materials, mechanics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

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

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

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

Illustration for the Corporate Strategy of the Group



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

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

(1) renewable energy production equipment and technologies (biomass green alcohol energy),

(2) sustainable materials production equipment and technologies (high-performance biodegradable materials),

(3) sustainable food solutions and equipment (large-scale cultivation of artificial proteins),

(4) sustainable industrial development model (modular factory solutions).

MACRO POLICIES AND MARKET OUTLOOK OF KEY DOWNSTREAM INDUSTRIES

Raw Materials of Power Battery

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

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

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

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

Electronic Chemicals

Semiconductor-grade wet electronic chemicals

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

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

Photovoltaic Material

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

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

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

EXPANSION OF PRODUCTION CAPACITY

Malaysia Manufacturing Base

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

Malaysia Manufacturing Base (Design Rendering)

Changshu Manufacturing Base

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

Changshu Manufacturing Base

RESEARCH AND DEVELOPMENT AND INNOVATION

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

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

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

FINANCIAL DATA

Revenue

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

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

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

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Research and Development Expenses

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

Trade Receivables and Impairment of Contract Assets

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

Income Tax Expense

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

Non-HKFRS Measures

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

EBITDA

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

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

Trade and Other Receivables

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

Inventory

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

Trade and Other Payables

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

Contract Liabilities

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

Liquidity and Capital Resources

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

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

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

As at 30 June 2024, the Group's total banking facilities amounted to RMB2,495,000,000, US$226,000,000, Swedish Krona 300,000,000 and JPY17,100,000,000 (equivalent to approximately RMB5,072,787,000 in aggregate), among which the utilized banking facilities amounted to approximately RMB779,240,000, US$98,806,000, EUR6,638,000, Mexican Peso 25,112,000 and JPY82,000,000 (equivalent to approximately RMB1,547,624,000 in aggregate), and the unutilized banking facilities amounted to approximately RMB3,525,163,000.

Borrowings and Gearing Ratio

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

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

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

Charges on Assets

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

Contingent Liabilities

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

Significant Investments, Acquisitions and Disposals

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

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

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

On 25 March 2024, the Company established a new wholly-owned subsidiary, MII. The registered capital of MII is HK$10,000, which is primarily engaged in investment holdings.

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

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

During the Reporting Period, the Company completed capital contributions to Morimatsu Dialog of MYR31,110,000. After the increase of the registered capital, the share capital of Morimatsu Dialog was MYR150,300,000.

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

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 C1 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules 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.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") currently consists of one non-executive Director, Mr. Matsuhisa Terumoto, and two independent non-executive Directors, Ms. Chan Yuen Sau Kelly and Mr. Kanno Shinichiro. The unaudited consolidated results of the Group during the Interim Period have been reviewed by the Audit Committee.

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Month	Number of shares repurchased	Price paid per share Highest *(HKD)*	Price paid per share Lowest *(HKD)*	Aggregate consideration *(HKD)*
April 2024	170,000	4.53	4.30	756,549.60
May 2024	987,000	5.15	4.74	4,879,228.10
June 2024	435,000	6.18	5.84	2,603,244.80
Total	1,592,000	—	—	8,239,022.50

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

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

By order of the Board
Morimatsu International Holdings Company Limited
Nishimatsu Koei
Chief executive officer and executive Director

Hong Kong, 20 August 2024

As at the date of this announcement, the executive Directors are Mr. Nishimatsu Koei, Mr. Hirazawa Jungo, Mr. Tang Weihua, Mr. Sheng Ye and Mr. Kawashima Hirotaka; the non-executive Director is Mr. Matsuhisa Terumoto; and the independent non-executive Directors are Ms. Chan Yuen Sau Kelly, Mr. Kanno Shinichiro and Mr. Yu Jianguo.

This announcement is available for viewing on the Company's website at www.morimatsu-online.com and the Stock Exchange's website at www.hkexnews.hk.